

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE
Financial Management

Duration:2 Hours

Max Marks:60

SECTION – A

Answer any TWO questions:

(15×2= 30)

- 1) Explain the objectives of Financial Management.
- 2) The capital structure of work well Ltd. comprises the following:

Equity shares of Rs. 10 each	Rs. 4,00,000
10% Debentures of Rs. 100 each	Rs. 5,00,000
15% Preference shares of Rs. 100 each	Rs. 1,00,000

It sells 1,00,000 units at Rs.10 per unit with a variable cost at Rs.4 each and a fixed cost of Rs.1,00,000. The applicable corporate tax rate is 30%.
 1. Calculate EPS, Financial Leverage, Operating Leverage and Combined Leverage.
 2. Also calculate EPS and Leverages for a 50% increase in sales as well as for a 25% decline in sales.
- 3) A company is considering an investment proposal to install new milling controls at a cost of Rs.50,000. The facility has a life expectancy of 5 years and no salvage value. The tax rate is 35%. Assume the firm uses straight line depreciation and the same is allowed for tax purposes. The estimated cash flows before depreciation and tax (CFBDT) from the investment proposal are as follows.

The estimated CFBDT

Year	1	2	3	4	5
EBDT (Rs.)	10,000	10,692	12,769	13,462	20,385

Compute the following:

1. Pay back period
 2. Average rate of return
 3. Net present value at 10% discount rate
 4. Profitability index at 10% discount rate
- 4) Prepare an estimate of working capital from the following data of a manufacturing concern
- Sales (credit period)- 3 months -Rs.4000000
- Raw materials -Rs.1200000

Wages paid (15 days in arrears)-Rs.960000

Manufacturing expense (1 month in arrears)-Rs.600000

Administration expenses (1 month in arrears)Rs.120000

Sales promotion expenses (payable in advance for 3 months)-Rs.100000

Income Tax payable Rs.25000

The company enjoys 1 months credit from suppliers of raw material .It maintain 2 months stock of R.M and 2 months stock of finished goods cash balance is maintained @Rs.50000 as precautionary balance.

Assume 10% for contingencies

SECTION – B

Answer any FOUR questions :

(5×4= 20)

- 5) Explain the important functions of Finance Manager.
- 6) A second hand car is purchased on hire-purchase basis by paying Rs.20,000 down and five more annual instalment ofRs.8,000. The instalments included interest at 16% compound interest p.a. Calculate the cash value of the car.
- 7) Calculate Operating Leverage, Financial Leverage, and Combined Leverage from the following information:

	Firm A (Rs)
Sales	8,00,000
Variable Cost	30% of sales
Fixed Cost	2,00,000
Interest	40,000
Tax rate	30%

- 8) National Electronics Ltd, an electronics goods manufacturing Co is producing a large range of electronics goods. It has under consideration of two projects X &Y each costing Rs120 lakhs. The projects are mutually exclusive & the co is considering the question of selecting one of the two. The cost of capital of the Co is 15%.

Net cash flows

At the end of the year	Project X	Project Y
	(Rs. in lakhs)	(Rs. lakhs)
1	25	40
2	35	60
3	45	80
4	65	50
5	65	30
6	55	20

- 9) Given below is the data for a company

Particulars	2022 (Rs. in thousands)
Stock of raw materials	200
Work in progress	140
Stock of finished goods	210
Purchases	960
Cost of goods sold	1400
Sales	1600
Debtors	320
Creditors	160

From the above compute net operating cycle

- 10) Write a note on Trade Credit.

SECTION – C

Answer any FIVE questions :

(2×5= 10)

- 11) Explain any two needs for Financial Planning.
- 12) An Endowment fund is proposed to give a gold medal for the I Rank holder in B.Com of Mangalore University Examination. The value of the gold medal is estimated to be Rs.15,000 each. Reckon interest rate at 10%p.a. calculate the size of the fund.
- 13) Shekhar deposited Rs.18,000 into the cash certificate of Teachers Co-operative bank for a period of 3 years at a compound interest of 8% p.a. calculate how much Shekhar would receive after 3 Years.
- 14) The EBIT of A Ltd, was Rs.2,00,000 and the interest burden was Rs.50,000, with the applicable tax rate of 40%. Calculate the financial leverage.
- 15) The project involves a total initial expenditure of Rs2,00,000 and it is estimated to generate future cash inflow of Rs.30,000, Rs.38,000, Rs 25,000, Rs. 22,000, Rs. 36,000, Rs. 40,000, Rs.40,000, Rs.28,000, Rs.24,000 and Rs.24,000 in its last year. Calculate Payback Period?
- 16) Explain any two factors influencing the working capital requirements of a firm.
- 17) What is Negative working capital?

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE
Human Resource Development

Duration:2 Hours

Max Marks:60

SECTION – A

Answer any TWO questions:

(2×15= 30)

- 1) "Employee empowerment brings both opportunities and challenges" - analyse this statement.
- 2) a. What is Diversity of workforce? Explain the key dimensions and benefits of a Diverse workforce.
b. List the HRD Programs for Diverse Employees.
- 3) What is an HRD Process? Explain the key steps involved in HRD Process.
- 4) a. Explain the major issues in employee counselling with examples.
b. What are the different types of counselling programmes in HRD?

SECTION – B

Answer any FOUR questions :

(4×5= 20)

- 5) How does HRD contributes to organisational effectiveness?
- 6) What is HR Performance? List any four functions of HR performance.
- 7) Explain the Kirkpatrick Model of HRD
- 8) Explain the fundamental concept of Socialisation in HRD.
- 9) Explain the reasons for Workforce Reduction.
- 10) Explain any four training methods with merits and demerits.

SECTION – C

Answer any FIVE questions :

(5×2= 10)

- 11) Explain the role of trade unions in shaping HRD Practices.
- 12) What is meant by skill enhancement? Give examples.
- 13) List any four components of an HRD Model.
- 14) What is a Realistic Job Preview and why is it important?
- 15) List four challenges experienced by the expatriates and repatriates.
- 16) How is ROI calculated in HRD Programs? Explain with an example.
- 17) List the strategies for Employee Retention.

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE
Income Tax Law and Practice-I

Duration: 2 Hours

Max Marks: 60

SECTION – A

Answer any TWO questions:

(15×2= 30)

- 1) Following are the particulars of Income of Mr. Renu Arora for the PY ended 31-3-2024:
1. Royalty received from govt. of India Rs.25,000
 2. Income from business in Iran Rs.25,000 of which Rs.15,000 was received in India. This business is controlled in India.
 3. Interest received in Iran from Mr. Kumar a non-resident on a loan provided to him to run a business in India Rs.12,000
 4. Royalty received from a company in India for technical know how provided to its business in Sri Lanka, the income is received in Sri Lanka Rs.50,000
 5. Rs.75,000 fees for technical services received from a company in Dhaka for rendering technical service to its business carried on in India
 6. Royalty received from Sri Patel a resident in India for technical services provided to his business carried on outside India Rs.25,000
 7. Profit from business in Kuwait, 60% brought to India Rs.30,000
 8. Income from business in Jaipur, received in Nepal, this business is controlled from Nepal Rs.15,000
 9. Dividend declared in Iran but received in India Rs.50,000
 10. Dividend received in Australia from an Indian Co. Rs.65,000
 11. Income from business in New Delhi, business controlled from London Rs. 10,000
 12. Income from business in UK (65% received in India) Rs.90,000
 13. Profit on sale of a capital asset in France (50% remitted to India) Rs.38,000
 14. Income from agriculture in Dhaka remitted to India Rs.30,000
 15. Interest on savings bank deposits in SBI Rs.29,000
- 2) Mr. X furnishes the following particulars of his income for the financial year. He is a govt. employee:

Basic salary – Rs.8,000 p.m.

Dearness allowance – Rs.3,000 p.m. (50% enters into retirement benefits)

Dearness pay – Rs.400 p.m.

City compensatory allowance – Rs.500 p.m.

Medical allowance – Rs.200 p.m.

Travelling allowance – Rs.15,000 (Rs.12,000 is actually spent on his official tour and the balance spent on personal tour)

Helper allowance – Rs.800 p.m.

House Rent allowance – Rs.4,500 p.m. (He pays a rent of Rs.3,500 p.m. for his house in Mumbai)

Entertainment allowance – Rs.600 p.m. (He spent 80% of it for official purposes)

Children's education allowance – Rs.300 p.m. (his son is studying in the university)

Hostel allowance – Rs.500 p.m. (his son resides in the university hostel)

He paid Rs.300 p.m. employment tax.

He contributed Rs.56,400 to RPF and the company contributed Rs.54,400 for the same. The interest credited at 12% p.a. on the accumulated balance Rs.3,40,000.

Compute his taxable income from salary.

- 3) Mr Pradhan owns four houses, the details of which are as follows:

Particulars	House I (Rs.)	House II (Rs.)	House III (Rs.)	House IV (Rs.)
AMV	30,000	15,000	12,000	12,000
Fair Rent	28,000	21,000	18,000	20,000
Rent received	27,000	16,000	15,400	17,000
Standard rent	32,000	18,000	21,000	18,000
Vacancy period (months)	3	-	1	1
Municipal Tax:				
Paid	3,000	1,500	-	-
Due	-	-	1,200	1,600
Repairs	10,000	12,000	6,000	14,000

For the construction of third house, he had borrowed Rs.2,50,000 at 12% p.a. on 1.8.2021. The house was completed on 31.10.2023. As on 1.4.2024 Rs.2,00,000 was outstanding. Compute the taxable income from house property for AY.

- 4) A) The GTI of Roshan is Rs.6,00,000.

He paid Rs. 8,000 as medical insurance premium, spent Rs. 2,000 for health checkup, spent Rs. 26,000 for the treatment of severely handicapped brother and Rs. 1,50,000 for the treatment of his father (aged 80 years) who suffers from

cancer (specified disease). The insurance company paid Rs. 18,000 towards the treatment of his father. Compute the total income. (5 Marks)

B) Mr Kiran's GTI for the PY is Rs. 40,00,000. He makes the following donations during the PY

Prime Ministers National Relief Fund Rs. 1,00,000

National Defence Fund Rs. 2,00,000

Rs. 2,00,000 for repairs and renovation of notified Gurudwara

Rs. 1,00,000 to a local college for construction of commerce block

Rs. 10,000 given as aid to a poor student

Rs. 10,000 worth of books donated to an approved college

Rs. 1,00,000 to an approved charitable institution

Rs. 50,000 to a municipality duly approved for the purpose of family planning

(10 Marks)

SECTION – B

Answer any FOUR questions :

(5×4= 20)

- 5) Briefly explain the features of Income Tax in India.
- 6) Mr John a Foreign National came to India for the first time on the 15th of June 2016. During the financial years 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 2022-23, 2023-24 and 2024-25 he stayed in India for 190 days, 120 days, 45 days, 182 days, 110 days, 50 days, 105 days, 102 days and 95 days respectively. Determine his residential status for the assessment year 2025-26.
- 7) Mr. Bhanu is working in Zebra Ltd. since last 25 years 9 months. Company allows 2 months leave for every completed year of service to its employees. During the job, he had availed 20 months leave. At the time of retirement on 31-8-2024, he got Rs.1,50,000 as leave encashment. As on that date, his basic salary was Rs.5,000 p.m., D.A. was Rs.2,000 p.m.(forming part of retirement benefits) Commission was at 5% on turnover. Turnover effected by the assessee during last 12 months (evenly) 5,00,000. Bhanu got an increment of Rs.1,000 p.m. from 1-1-2024 in basic. Compute his taxable leave encashment salary.
- 8) Mr.Rao retired as a manager of a limited company on 31st August 2024, after serving for 32 years and 8 months. His basic salary on the date of his retirement was Rs.38,000 p.m. including the increment of Rs.1,000 p.m. which falls due on the 1st of June every year. He also received Rs.3,000 p.m. D.A. (Rs.1,000p.m. paid under the terms of employment), Rs.1,800 p.m. H.R.A. and Rs.600 p.m. conveyance allowance. During the last 10 months he achieved sales of Rs.5,00,000 on which he is entitled to get 1% of commission. He received Rs.22,80,000 from the company as gratuity. Calculate the taxable gratuity if Mr.Rao is Covered by the Payment of Gratuity Act of 1972.

9) Find out GAV in the following cases.

Particulars	A	B	C
Municipal Value	10,000	10,000	10,000
Fair Rent	12,000	12,000	13,000
Rent received	11,000	11,000	15,000
Standard Rent	11,500	14,000

10) From the following particulars calculate deduction u/s 80C.

1. LIC premium of Rs.10,000 on own life policy of Rs.40,000
2. 5 years Postal Time Deposit Rs.10,000.
3. Rs.15,000 subscribed to Home Loan Account of Nationalised Bank, Interest accrued thereon is Rs.8,400
4. Rs.8,000 paid to the Mutual Fund of UTI
5. Rs.4,000 Unit Linked Insurance Policy (ULIP) of UTI

SECTION – C

Answer any FIVE questions :

(2×5= 10)

- 11) What is Gross Total income?
- 12) From the following information compute the total income of Mr. Z if he is RESIDENT
 - a) Rs. 5,000 earned and received in Africa but brought to India.
 - b) Profit from business in Indonesia, business is controlled from Delhi Rs. 40,000
- 13) Mr. X a non-govt. employee commuted 2/3rd of his pension and received Rs.2,40,000 for the same. Compute the exempt amount of the commuted value of pension if he did not receive any gratuity.
- 14) Define Salary.
- 15) Mr.X is the owner of the house which is let out. From the following particulars find out GAV

Municipal Value	26,000
Fair Rent	28,000
Standard Rent	35,000
Actual Rent	30,000
- 16) What is NAV?
- 17) What is TCS?

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE

Financial Institutions and Markets

Duration: 2 Hours

Max Marks: 60

SECTION – A

Answer any TWO questions:

(15×2= 30)

- 1) Outline the phases of development in India's financial system.
- 2) Define capital markets. Explain the importance and functions of capital markets in the Indian financial system.
- 3) Discuss on MUDRA and UTI, how do they function?
- 4) "The methods of floating new issues in the primary market refer to the ways in which companies can raise capital by issuing new securities." Discuss its methods in detail.

SECTION – B

Answer any FOUR questions :

(5×4= 20)

- 5) Write a short note on role and reforms in Secondary Market.
- 6) Describe the trading processes in the functioning of financial markets which provides a platform for buying and selling securities.
- 7) Write the difference between Money Market and Capital Market.
- 8) Describe State Financial Corporations in detail.
- 9) Describe the role of Non Banking Financial Companies in India.
- 10) Explain the recent trends in the capital market in India.

SECTION – C

Answer any FIVE questions :

(2×5= 10)

- 11) What are Chit Funds?
- 12) Mention any two Functions of UTI
- 13) What is a Bull Market?

- 14) What are Commerical Papers?
- 15) What is meant by Investment Institutions?
- 16) Who are the investors in the Primary Market?
- 17) Define a Venture Capital Fund.

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE
Financial Institutions and Markets

Duration: 2 Hours

Max Marks: 60

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(15×2= 30)

- 1) Outline the phases of development in India's financial system.
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- 3) Discuss on MUDRA and UTI, how do they function?
- 4) "The methods of floating new issues in the primary market refer to the ways in which companies can raise capital by issuing new securities." Discuss its methods in detail.

SECTION – B

Answer any FOUR questions :

(5×4= 20)

- 5) Write a short note on role and reforms in Secondary Market.
- 6) Describe the trading processes in the functioning of financial markets which provides a platform for buying and selling securities.
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SECTION – C

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- 11) What are Chit Funds?
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CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE

Principles and Practice of Auditing

Duration: 2 Hours

Max Marks: 60

SECTION – A

Answer any TWO questions:

(15×2= 30)

- 1) "The main purposes of auditing are detection and prevention of errors and frauds". Comment on this as per the objectives of auditing.
- 2) What is an Internal Control system? Explain its objectives.
- 3) Define Verification. How do you verify the following?
a) Goodwill b) Land and Buildings c) Inventories
- 4) Enumerate the duties and liabilities of an auditor of a company.

SECTION – B

Answer any FOUR questions :

(5×4= 20)

- 5) How do you differentiate Audit and Investigation.
- 6) What is an Audit Plan? Explain the factors determining audit plan.
- 7) Explain the steps involved in the verification of assets.
- 8) What is the procedure to be considered while auditing the financial statements of Educational Institutions and Hospitals?
- 9) What is an Audit report? Explain the contents of Auditor's Report.
- 10) Elucidate the role of Professional accountants in Public Practice.

SECTION – C

Answer any FIVE questions :

(2×5= 10)

- 11) What is meant by Audit Programme?
- 12) What is meant by Balance Sheet Audit?
- 13) What is meant by Inherent Risk?

- 14) What is the qualification of a company auditor as prescribed by the Companies Act of 2013?
- 15) What is meant by Verification?
- 16) Define Qualified Report. Mention any three examples of the Qualified Report.
- 17) Mention any four principles of professional ethics.

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE
Retail Management

Duration: 2 Hours**Max Marks: 60****SECTION – A****Answer any TWO questions:****(15×2= 30)**

- 1) Breakdown the various retail formats and explain each in detail.
- 2) Explain the key stages in the execution of a business plan.
- 3) Explain in detail the different factors Influencing Location of Store.
- 4) Explain in detail on the Factors influencing Pricing Decision.

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

- 5) Explain in detail the service-based retailing with their types.
- 6) Elaborate the various stages involved in Consumer buying decision process.
- 7) Write a note on Trade Area Analysis.
- 8) Illustrate on the types of Advertising.
- 9) Shed light on the benefits and limitations of Competition-Based Pricing.
- 10) Explain in detail the disadvantages of Non-store Retailing.

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

- 11) What is store based retailing?
- 12) Write the meaning of Franchises.
- 13) What is meant by Consumer Service?
- 14) What is meant by Brick and Mortar Store?
- 15) What is meant by product mix?
- 16) Write a note on Advertising.
- 17) What is Bar-coding?

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025

COMMERCE

Advanced Performance Management I

Duration: 2 Hours

Max Marks: 60

Section A

Answer any TWO of the following:

(2×15= 30)

1. The directors of Dream Ice Cream (DI), a successful ice cream producer, with a reputation as a quality supplier, have decided to enter the frozen yogurt market in its country of operation. It has set up a separate operation under the name of Dream Yogurt (DY). The following information is available:

- DY has recruited a management team but production staff will need to be recruited. There is some concern that there will not be staff available with the required knowledge of food production.
- DY has agreed to supply yogurts to Jacksons, a chain of supermarkets based in the home country. They have stipulated that delivery must take place within 24 hours of an order being sent.
- DY hopes to become a major national producer of frozen yogurts.
- DY produces four varieties of frozen yogurt at present; Mango Tango, Very Berry, Orange Burst and French Vanilla.

A) Explain five CSFs on which the directors must focus if DY is to achieve success in the marketplace.

B) Suggest an appropriate KPI which could be used to measure whether each CSF is being achieved.

2. Envie Co owns a chain of retail clothing stores specialising in ladies' designer fashion and accessories. Jane Smith, the original founder, has been pleasantly surprised by the continuing growth in the fashion industry during the last decade. The company was established 12 years ago, originally with one store in the capital city. Jane's design skills and entrepreneurial skills have been the driving force behind the expansion. Due to unique designs and good quality control, the business now has ten stores in various cities.

Each store has a shop manager that is completely responsible for managing the staff and stock levels within each store. They produce monthly reports on sales. Some stores are continually late in supplying their monthly figures.

Envie runs several analysis programmes to enable management information to be collated. The information typically provides statistical data on sales trends between categories of items and stores. The analysis and preparation of these reports are conducted in the marketing department. In some cases the information is out of date in terms of trends and variations. As the business has developed Jane has used the service of a local IT company to implement and develop their systems. She now wants to invest in website development with the view of reaching global markets.

A) Construct a SWOT analysis with reference to the proposal of website development.

B) Explain how the use of SWOT analysis may be of assistance to Envie Co's performance management and measurement process

3.

Finicky's Jewelers sells watches for \$50 each. During the next month, they estimate that they will sell 15, 25, 35, or 45 watches with respective probabilities of 0.35, 0.25, 0.20, and ... (figure it out). They can only buy watches in lots of ten from their dealer. 10, 20, 30, 40, and 50 watches cost \$40, 39, 37, 36, and 34 per watch respectively. Every month, Finicky's has a clearance sale and will get rid of any unsold watches for \$24 (watches are only in style for a month and so they have to buy the latest model each month). Any customer that comes in during the month to buy a watch, but is unable to, costs Finicky's \$6 in lost goodwill. Find the best action under each of the Maximax & **minimax regret** decision criteria.

4. The NW Entertainments Company (NWECE) is a privately owned organisation which operates an amusement park in a rural area within the North West region of a country which has a good climate all year round. The amusement park comprises a large fairground with high- quality rides and numerous attractions designed to appeal to people of all ages.

The park is open for 365 days in the year.

Each day spent by a guest at the park is classed as a 'Visitor Day'. During the year ended 30 November 20X3 a total of 2,090,400 visitor days were paid for and were made up as follows:

Visitor category	% of total visitor days
Adults	40
14–18 years of age and Senior Citizens	20
Under 14 years of age	40

Two types of admission pass are available for purchase, these are:

The 'One-day Visitor's pass' and the 'Two-day Visitor's pass', which entitles the holder of the pass to admission to the amusement park on any

two days within the year commencing 1 December.

The pricing structure was as follows:

- The cost of a One-day pass for an adult was \$40. Visitors aged 14–18 years and Senior Citizens receive a 25% discount against the cost of adult passes. Visitors aged below 14 years receive a 50% discount against the cost of adult passes.
- The purchase of a Two-day Visitor's pass gave the purchaser a 25% saving against the cost of two One-day Visitor's passes.
- 25% of the total visitor days were paid for by the purchase of One-day passes. The remainder were paid for by the purchase of Two-day passes.
- Total operating costs of the park during the year amounted to \$37,600,000.

NWEC receives income from traders who provide catering and other facilities to visitors to the amusement park. There are 30 such traders from whom payments are received. The amount of the payment made by each trader is dependent upon the size of the premises that they occupy in the amusement park as shown in the following summary:

Size of premises No. of Annual Traders Payment per Trader

		\$
Large	8	54,000
Medium	12	36,000
Small	10	18,000

The income from each trader is received under 3 year contracts which became effective on 1 December 20X3. The income is fixed for the duration of each contract.

All operating costs of the park incurred during the year ending 30 November 20X4 are expected to increase by 4%. This has led to a decision by management to increase the selling price of all categories of admission passes by 4% with effect from 1 December 20X3.

Management expect the number of visitor days, visitor mix and the mix of admission passes purchased to be the same as in the previous year.

NWEC also own a 400 bedroom hotel with leisure facilities, which is located 20 kilometres from the amusement park.

During the year ended 30 November 20X3, the charge per room on an all-inclusive basis was \$100 per room, per night. The total operating costs of the hotel amounted to \$7,950,000. Average occupancy during the year was 240 rooms per night. The hotel is open for 365 days in the year.

It is anticipated that the operating costs of the hotel will increase by 4% in the year ending 30 November 20X4. Management have decided to increase the charge per room, per night by 4% with effect from 1

December 20X3 and expect average occupancy will remain at the same level during the year ending 30 November 20X4.

The revenue of the hotel is independent of the number of visitors to the amusement park.

Prepare a statement showing the budgeted net profit or loss for the year to 30 November 20X4.

Section B

Answer any TWO of the following:

(2×10= 20)

5. Explain the impact of risk appetite of stakeholders.
6. Exhibit 1 – Company information and initiatives

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

The initiatives which are running at present are:

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

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

Exhibit 2 – Performance pyramid

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

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

Exhibit 3 – Stakeholder analysis

A stakeholder analysis has been completed by one of Boltzman's managers (in Appendix 1) but she has gone on holiday and has not written up a commentary of her results. Therefore, the CEO wants you to take the information in Appendix 1 and briefly justify appropriate management approaches to each of the stakeholders and, based on this analysis, evaluate the appropriateness of the performance measures suggested in Appendix 1. The CEO has asked that you do not, at this stage, suggest long lists of additional indicators.

Exhibit 4 – Benchmarking

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

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

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

Required: It is now 1 September 20X5. Write a report to the board of Boltzman responding to the CEO's instructions for work on the Benchmarking.

Exhibit 6 – Appendix 1

Key stakeholders	Level of interest	Level of power
------------------	-------------------	----------------

Shareholders Low – institutions have delegated management to the board and are only interested in financial returns

Employees Medium – in a high skill industry employees are interested in the new opportunities which the market can present

Customers Medium – some of the parts supplied by Boltzman are unique and specifically designed for the customer

Suppliers Medium – Boltzman is one of the large customers to many of the company's suppliers

Suggested performance measures:

1. Return on capital employed
2. Economic value added
3. Revenue growth
4. Average pay per employee
5. Net profit margin

Exhibit 7 – Appendix 2

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

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

	Boltzman		General Machines	
	\$m	\$m	\$m	\$m
	20X4	20X5	20X4	20X5
Non-current assets	16,335	16,988	17,716	17,893
Current assets	10,618	11,043	11,515	11,630
	26,953	28,031	29,231	29,523
Equity	8,984	9,961	9,744	10,083

Non-current liabilities	9,801	9,739	10,629	10,405
Current liabilities	8,168	8,331	8,858	9,035
	<u>26,953</u>	<u>28,031</u>	<u>29,231</u>	<u>29,523</u>
			Boltzman	General Machines
			20X5	20X5

Notes:

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

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

Aerospace	6	6
Automotive	7	8

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

Exhibit 8 – Appendix 3

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

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

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

Critically Evaluate Activity Based Budgeting as a method of budgeting in modern business environment.

8. Kudos Guitar Amplifiers (KGA) was set up by Camila Garcia two years ago in the UK. Camila, an electrical engineer and musician, started repairing and then building guitar amplifiers for herself and friends.

Initially Camila based her amplifiers around existing classic circuits but soon discovered a potential to tweak these to produce modern variations and improved tones. Partly as a result of the excellent sound but also the low prices compared to established brands, Camila soon found herself inundated with requests and so started the business and employed more staff.

The big break came when a number of high profile professional musicians started using KGA amplifiers. Despite operating in a highly competitive market sector, Camila has struggled to meet demand since and has waiting lists for the hand-built, top of the range models, even having increased prices considerably.

Camila is looking to expand the business further, extend the range of products offered to include cheaper models and look to sell into additional markets. She has recruited more staff, built a state of the art, dedicated factory and appointed managers. To ensure the longevity of his business Camila commissioned a strategic consultant who advised her to adopt a competitive strategy of differentiation. Below are extracts from the consultant's value chain analysis:

- Inbound logistics – As well as Camila's proprietary circuit designs, part of the sound of KGA amplifiers comes from the use of rare "new old stock" (NOS) components, some originally manufactured in the 1960s. Locating sufficient numbers of such components to the required quality is a major challenge and it is felt that KGA's relationship with two key suppliers is vital.
- Operations – The top of the range models are hand built by master craftsmen with point to point wiring and specialist components. Given normal variations in some of these, different elements are tested and matched by ear to optimise tonal characteristics. Extensive quality control tests are done before an amplifier is ready for sale. Newer, cheaper models use pre- assembled circuit boards bought from a SE Asian supplier. The factory also uses "clean room" technologies and fume extraction safety processes that far exceed current industry requirements and add to the factory running costs.
- Outbound logistics – Originally selling direct to customers, Camila has now agreed distribution contracts with two national UK

retailers and is hoping to secure similar deals in Germany and the USA.

- Marketing and sales – Marketing currently consists of word of mouth, advertising in guitar magazines and sponsorship of high profile musicians. The company will also be setting up a website and Facebook page. It is felt that continued publicity from famous guitarists and online exposure are vital to achieving growth targets. The new ranges have the same brand name as the original hand- built products.
- Service – Cãmila offers a lifetime warranty on his top of the range amplifiers with a guaranteed turnaround of 5 days, although she did have a problem repairing an amplifier in time for a rock band headlining at a major festival. Cheaper ranges have an industry standard 12 months' warranty.

Discuss the performance management issues arising from the above analysis. Based on this discussion recommend and justify four possible CSFs and identify two KPIs for each of these.

Section C

Answer any TWO of the following:

(2×5= 10)

9. Describe the features of good performance measures.
10. Explain the different types of capital linked with long term shareholders value.
11. What is Network Structures? Explain the characteristics of Network Structures.
12. Explain the benefits of RFID to an organisation.



CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE

Advanced Financial Management I

Duration: 2 Hours

Max Marks: 60

Section A

Answer any TWO of the following:

(2×15= 30)

1. Discuss the advantages and disadvantages of setting up a risk management system to identify, classify and avoid or manage risk.
2. Hathaway Co operates in the aviation industry, manufacturing safety equipment for commercial aircraft. The company has a policy of carefully appraising new investment opportunities, including the detailed analysis of all cost and revenue assumptions prior to their approval.

Project chi

Hathaway Co's board is reviewing a potential investment, project chi. The company's engineers have developed a new technology which can detect the potential for mechanical failure with a greater degree of accuracy than has previously been the case. Early test results have been extremely encouraging.

If the board accepts the engineers' proposal, Hathaway Co would need to submit an application to the relevant regulatory authority. It is expected regulatory approval would be granted in one year's time. Manufacturing and sales would commence immediately after being granted regulatory approval. Hathaway Co's chief engineer presented an investment case for project chi to the board, including a summary of the following cost and revenue forecasts and assumptions.

Hathaway Co is expected to sell 3,000 units in the first year of production with demand increasing by 5% in each subsequent year of its four-year life. These sales forecasts are based on a contribution of \$5,000 per unit in the first year of production and increasing at 2% per year in subsequent years. Annual fixed costs of \$8.7m are expected in the first year of production, increasing at 3% per year throughout the life of the project.

An investment in plant and machinery of \$12m will be required as soon as regulatory approval has been granted. Tax allowable depreciation is available on the plant and machinery at an annual rate of 20% on a straight-line basis. A balancing adjustment is expected at the end of the project when the plant and machinery will be scrapped.

Tax is payable at 20% in the year in which profits are made. The relevant cost of capital to be used in the appraisal is 12%.

Project chi extra information

The finance director, however, raised the following objections and consequences to the chief engineer's presentation.

The chief engineer's cost and revenue assumptions ignore the possibility of a recession, which has a 20% probability of occurring. In a recession, the total present values for the four years of production are likely to be 40% lower. The finance director also believes there is an alternative, mutually exclusive, development opportunity based on the new technology although this would still depend on it being granted regulatory approval. This alternative option would incur an identical investment cost of \$12m but generate annual, inflation adjusted, post-tax cash flows of \$3.43m over its seven-year life from year two onwards.

The investment case assumes regulatory approval is certain whereas historically only 70% of Hathaway Co's applications have been approved. In one year's time, if the regulatory application is not approved, it is assumed that the concept can be sold to Gepe Co for \$1.0m at that time. If the board rejects the proposal now, assume the concept can be sold for \$4.3m immediately.

Projects lambda and kappa

A recent board meeting discussed two recent investments, projects lambda and kappa, both involving the construction of new manufacturing plants for safety equipment. Both projects are now operational although project lambda experienced significant time delays and cost overruns while project kappa was under budget and within schedule.

On closer examination, the directors noticed that project lambda's revenue far exceeded initial expectations, whereas project kappa's revenue was much less than originally expected. On balance, Hathaway Co's chief executive officer suggested that each project's successes compensated for their respective failings and that this was to be expected when making predictions about the future in an investment plan. However, one of the directors suggested the company could benefit from the introduction of a capital investment monitoring system and post-completion audit. The directors agreed to discuss this in greater depth at the next board meeting.

Required:

a)

i) Evaluate the financial acceptability of the project chi investment proposal based on the chief engineer's forecasts, assuming regulatory approval is granted in one year's time. (6 marks)

ii) Calculate the expected net present value of the proposal based on the finance director's assumptions about the likelihood of a recession and the potential impact

on project chi's cash flows. (2 marks)

iii) Calculate the net present value of the finance director's alternative option for the technology and advise the board whether this is worth pursuing. (3 marks)

iv) Recommend whether the board should proceed with the application for regulatory approval after taking into consideration Hathaway Co's 70% approval rate with its regulatory applications or to sell the concept now to Gepe Co. Include in your analysis any comments on your findings. (4 marks)

3. Summarised financial data for WPP Co., is shown below:

Year	Post tax earnings \$m	Dividends	Issued shared (million)	Share price \$
20X7	86.2	34.5	180	0.360
20X8	92.4	36.2	180	0.410
20X9	99.3	37.6	180	0.345
20Y0	134.1	51.6	240	0.459
20Y1	148.6	53.3	240	0.448

Year	S&P 500 index	Inflation rate
20X7	2895	6%
20X8	3300	5%
20X9	2845	4%
20Y0	2610	3%
20Y1	2305	3%

WPP Co's cost of equity is estimated to be 11%.

Required:

- Explain, with supporting numerical evidence, the current dividend policy of WPP Co and briefly discuss whether or not this appears to be successful. (6 marks)
- Identify and consider additional information that might assist the managers of WPP Co in assessing whether the dividend policy has been successful. (4 marks)
- Evaluate whether or not the company's share price at the end of 20Y1 was what might have been expected from the Dividend Growth Model. Briefly discuss the validity of your findings. (5 marks)

4. KLM Co is a company currently engaged in the manufacture of baby equipment. It wishes to diversify into the manufacture of snowboards.

The investment details

The company's equity beta is 1.27 and its current debt to equity ratio is 25:75, however the company's gearing ratio will change as a result of the new project.

Firms involved in snowboard manufacture have an average equity beta of 1.19 and an average debt to equity ratio of 30:70.

Assume that the debt is risk free, that the risk free rate is 10% and that the expected return from the market portfolio is 16%.

The new project will involve the purchase of new machinery for a cost of \$800,000 (net of issue costs), which will produce annual cash inflows of \$450,000 for 3 years. At the end of this time, it will have no scrap value.

Corporation tax is payable in the same year at a rate of 33%. The machine will attract tax allowable depreciation of 25% per year on a reducing balance basis, with a balancing allowance at the end of the project life when the machine is scrapped.

The financing details:

The new investment will be financed as follows:

Bonds (redeemable in three years' time): 40%

Rights issue of equity: 60%

The issue costs are 4% on the gross equity issued and 2% on the gross debt issued. Assume that the debt issue costs are tax deductible.

Required: Calculate the adjusted present value of the project.

Section B

Answer any TWO of the following:

(2×10= 20)

5. Mr Williams has just set up a company, JPR Manufacturing Company, and estimates its cost of capital to be 15%. His first project involves investing \$150,000 in equipment with a useful life of 15 years and a final scrap value of \$15,000. The equipment will produce 15,000 deluxe pairs of rugby boots a year, generating a contribution of \$2.75 per pair. He estimates that annual fixed costs will be \$15,000. Ignore taxation.

Required:

- Determine whether the project is worthwhile. (2 marks)
- Calculate what percentage changes in the following factors would cause your decision in (a) to change and comment on your results: (8 marks)
 - initial investment;
 - sales volume;
 - fixed costs;
 - scrap value;
 - cost of capital.

6. Explain the relationship between financial risk and business risk. Explain how risk diversification and mitigation may contribute to a risk management strategy.

7. Venture capital and business angels are common sources of unquoted equity finance for start-ups. Compare and contrast these two sources, highlighting their benefits and limitations for entrepreneurs.
8. Foreign investors often view overseas equity markets as attractive for diversification. Discuss how investing in equity finance overseas can benefit investors, while also highlighting the risks involved.

Section C

Answer any TWO of the following:

(2×5= 10)

9. A company's shares have a market value of \$2.20 each. The company is about to pay a dividend of \$0.20 per share, as for the last ten years.
Required: Calculate the company's cost of equity.
10. CAPM assumes that all investors have homogeneous expectations and access to the same information. Explain how deviations from this assumption can impact the reliability of CAPM in practice.
11. Initial investment \$200m
Scrap value at end \$20m
Operating cash flows Year 1 \$100m
Years 2, 3 and 4 \$50m
Required: Calculate ROCE on:
i) initial investment; and
ii) average investment.
12. Green finance is often described as combining environmental protection with economic returns. Critically examine this statement with reference to examples such as renewable power generation or sustainable transport.

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE

Strategic Business Reporting I

Duration: 2 Hours

Max Marks: 60

Section A

Answer any TWO of the following:

(2×15= 30)

1. Alex, a listed company, designs and manages business solutions and IT infrastructures.

Alex's pension plan was accounted for as a defined benefit plan in 20X8. In the year ended 30 April 20X9, Alex changed the accounting method used for the scheme and accounted for it as a defined contribution plan, restating the comparative 20X8 financial information. The effect of the restatement was significant. In the 20X9 financial statements, Alex explained that, during the year, the arrangements underlying the retirement benefit plan had been subject to detailed review. Since the pension liabilities are fully insured and indexation of future liabilities can be limited up to and including the funds available in a special trust account set up for the plan, which is not at the disposal of Alex, the plan qualifies as a defined contribution plan under IAS 19 Employee Benefits rather than a defined benefit plan. Furthermore, the trust account is built up by the insurance company from the surplus yield on investments. The pension plan is an average pay plan in respect of which the entity pays insurance premiums to a third-party insurance company to fund the plan. Every year 1% of the pension fund is built up and employees pay a contribution of 4% of their salary, with the employer paying the balance of the contribution. If an employee leaves Alex and transfers the pension to another fund, Alex is liable for, or is refunded the difference between the benefits the employee is entitled to and the insurance premiums paid.

Required: Discuss how the above transactions should be dealt with in the financial statements of Alex for the year ended 30 April 20X9.

2. "The digital age demands that ethical judgement goes hand in hand with technological understanding." Analyse this statement with reference to the ethical responsibilities of accountants in areas such as cybersecurity, platform-based models, blockchains, and artificial intelligence.
3. a) H Co entered into a sale and leaseback arrangement on 1 January 20X7 to sell an asset to CC Finance Company (CCFC) for \$750,000 being the fair value of the

asset. The asset had a carrying amount of \$640,000 at that date and the agreed lease term was five years. The terms of the leaseback require H Co to pay \$120,000 per annum in arrears for five years. H Co's incremental borrowing rate is 5%, giving an initial lease liability before any payments are made to CCFC of \$510,000.

Required: Explain how the sale and leaseback arrangement is accounted for at 1 January 20X7. **(6 marks)**

b) On 1 January 20X8 J enters into a sale and leaseback contract to sell for \$1,000,000 an asset that has a carrying amount of \$600,000 and a fair value of \$900,000.

A contract exists, benefits are to be transferred, a price is given and a performance obligation has been satisfied; therefore the criteria of IFRS 15 have been met and J can treat the transaction as a sale and leaseback in accordance with IFRS 16.

J will make 10 annual lease payments of \$115,000; the interest rate implicit in the lease is 5%. The cumulative discount factor (annuity factor) for years 1 to 10 is 7.72.

Required: Discuss how the sale and leaseback transaction is accounted for in accordance with IFRS 16 Leases. **(9 marks)**

4. The IASB has had concerns about accounting for revenue for many years. Although there were accounting standards that sought to deal with this topic, they were not sufficiently rigorous on the matter of revenue recognition and many different accounting practices had emerged. The IASB issued IFRS 15 Revenue from Contracts with Customers to address this. The core principle of the standard is that "an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services".

Required: Explain the approach to revenue recognition and measurement under IFRS 15 Revenue from Contracts with Customers

Section B

Answer any TWO of the following:

(2×10= 20)

5. Alwoodley 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
CGU 1	6,700	7,500

CGU 2	5,300	6,500
CGU 3	10,900	12,750
CGU 4	2,500	2,900
	25,400	29,650

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

6. Moore, an investment property company, has been constructing a new cinema building for the last 18 months. At 31 December 20X7, the cinema was nearing completion, and the costs incurred to date were:

	\$m
Materials, labour and sub-contractors	14.8
Other directly attributable overheads	2.5
Interest on borrowings	1.3

The building is deemed to be a qualifying asset and therefore any borrowing costs are capitalised as part of the cost of the building. A specific loan of \$18million was obtained to fund this project and the annual rate of interest rate is 9.5%.

During the three months to 31 March 20X8 the project was completed, with the following additional costs incurred:

	\$m
Materials, labour and sub-contractors	1.7
Other directly attributable overheads	0.3

The company was not able to determine the fair value of the property reliably during the construction period and so used the allowance within IAS 40 Investment Property to measure at cost until construction was complete.

On 31 March 20X8, the company obtained a professional appraisal of the cinema's fair value, and the valuer concluded that it was worth \$24 million. The fee for his appraisal was \$100,000, and has not been included in the above figures for costs incurred during the three months.

The cinema was taken by a national multiplex chain on an operating lease as at 1 April 20X8, and was immediately welcoming capacity crowds. The lease agreement allows for annual revisions, and it was therefore clear that it was worth even more than the valuation at 31 March 20X8. Following a complete valuation of the company's investment properties at 31 December 20X8, the fair value of the cinema was established at \$28 million.

Required: Set out the accounting entries in respect of the cinema complex for the year ended 31 December 20X8.

7. K provides post-employment benefits to its employees through a defined benefit plan. The following data relates to the plan:

Year ended 31 March		
	20X9	20X8
	\$000	\$000
Present value of obligation at year end	36,000	33,000
Fair value of plan assets at year end	31,000	30,000
Current service cost	6,000	5,700
Benefits paid by plan	8,000	7,500
Contributions paid into plan	5,800	5,600
Discount rate at the start of the year	10%	9%

Required: Prepare extracts of K's statement of financial position at 31 March 20X9 and statement of profit or loss and other comprehensive income for the year ended 31 March 20X9 relating to the defined benefits plan.

8. a) B acquired 20,000 equity shares in Chester on 1 January paying \$7.20 per share. B incurred transaction costs of \$1,600 on the purchase of the shares. In November, Chester paid a dividend of \$0.04 per share. On 31 December, the share price of Chester had risen to \$7.47.

Required:

Explain how the investment in Chester should be accounted if: **(7 marks)**

i) B intends to hold the shares for a maximum of two years.

ii) B has stated that it wants to recognise the investment at FVTOCI.

b) On 1 November 20X6, Glusburn enters into a forward contract to exchange 11.5 million Japanese Yen for dollars on 31 January 20X7. The contracted exchange rate (the forward rate) is \$1: Yen115. At Glusburn's year end of 31 December 20X6 the dollar has strengthened against the Yen and a forward contract to exchange dollars for Yen on 31 January 20X7 offers a forward rate of \$1: Yen118.

Required: Explain how the contract is accounted for in Glusburn's financial statements for the year ended 31 December 20X6. **(3 marks)**

Section C

Answer any TWO of the following:

(2×5= 10)

- Suggest FIVE advantages of the principles based approach to laying down a Code of Ethics.
- Exeter has an investment property with a floor area of 420 square metres. Exeter has adopted a fair value policy for its investment property.

Similar properties in the same locality have been sold at prices amounting to \$1,250, \$1,255, \$1,260, \$1,270 and \$1,290 per square metre during the past month.

Required:

a) Calculate a fair value for the property using:

i) a mid-value; and

ii) an average.

b) Suggest alternative fair values to those calculated in (a). Calculations are not required.

11. Alpha, an incorporated entity, has previously capitalised all development expenditure. It has recently been advised by its new auditors that none of the expenditure previously capitalised meets the IAS 38 recognition criteria and it should all have been recognised as an expense when incurred.

The notes to the accounts for the year ended 31 December 20X7 relating to the deferred development expenditure were as follows:

Balance at 1 January	1,000
Additions	500
Amoritsation	(400)
Balance at 31 December	1,100

During the year ended 31 December 20X8, the company has expensed all costs on projects in respect of which expenditure had previously been capitalised and no amortisation has been expensed in profit or loss in 20X8.

The following are extracts from the draft accounts for the year ended 31 December 20X8.

Statement of profit or loss <i>*(as previously published)</i>	20X8 \$	20X7* \$
Revenue	1,200	1,100
Expenses	(800)	(680)
Profit for the year	400	420
Statement of changes in equity (extract)		
Balance as at 1 January	3,000	2,580
Profit for the year	400	420
Balance as at 31 December	3,400	3,000

Required: Show how the statement of profit or loss and statement of changes in equity would appear in the financial statements for the year ended 31 December 20X8, processing the necessary adjustments in respect of the change in accounting policy by applying the new policy retrospectively.

12. Beeno Co enters into a contract to sell 100 units of a product at \$400 each and will supply 25 units each month over four months.

After 75 units have been delivered, the contract is modified to require the delivery of an additional 25 units (i.e. 125 in total). At the modification date, the stand-alone unit selling price has fallen to \$375.

Beeno Co agrees a unit price for the extra units of \$300 based on a discounted unit price of \$325 less a \$25 refund per unit for late delivery of the first 25 units delivered.

Required: Discuss the amount of revenue to be recognised on the contract taking of the modification.

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025

COMMERCE
Capital Markets

Duration: 2 Hours

Max Marks: 60

SECTION – A

Answer any TWO questions:

(2x15= 30)

- 1) What is meant by Financial Market? Explain its types. Explain the differences between Primary Market and Secondary Market.
- 2) What is Investment Bank? Explain the functions of Investment Banking.
- 3) What are Hedge Funds? Explain its types.
- 4) Explain the different types of risks faced by financial services industry.

SECTION – B

Answer any FOUR questions :

(4x5= 20)

- 5) Explain the merits and demerits of Derivatives.
- 6) What is meant by Reconciliation? Enumerate its types.
- 7) Explain the reasons for which Corporate Actions are initiated.
- 8) What is meant by Prospectus? Explain its contents.
- 9) Define Financial Risk Management? Explain the steps involved in Financial Risk Management.
- 10) Briefly explain the procedure of opening a DEMAT account.

SECTION – C

Answer any FIVE questions :

(5x2 = 10)

- 11) Write a short note on Bonds.
- 12) Write a note on groups of participants in the derivative market.
- 13) Explain any two types of Settlements.
- 14) Elucidate the role of a Fund Manager.
- 15) Write a short note on Private Equity Funds.
- 16) What are the five instances of operational risk?
- 17) Who are Speculators?

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
Cost and Management Accounting I

Duration: 2 hours

Max Marks: 60

SECTION – A

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

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

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

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

Particulars	Amount (₹)
Materials purchased	4,80,100
Materials issued to jobs	4,77,400
Materials to works maintenance	41,200
Materials to administrative office	3,400
Materials to sales department	7,200
Wages Direct	1,49,300
Wages Indirect	65,000
Transportation for Indirect Materials	8,400
Production Overheads incurred	2,42,250
Absorbed Production Overheads	3,59,100
Administrative Overheads incurred	74,000
Administrative Overheads allocated to production	52,900
Administrative Overheads allocated to sales department	14,800
Selling & Distribution overheads incurred	64,200
Selling & Distribution overheads absorbed	82,000
Finished goods produced	9,58,400
Finished goods sold	9,77,300
Sales	14,43,000

Required:

Make up the various accounts as you envisage in the Cost Ledger and prepare a Trial Balance as at 30th September.

SECTION- B**II. Answer ANY FOUR questions: (Out of Five)****4 x 10 = 40**

2. The following information has been obtained from the records of ABC Corporation for the period from June 1 to June 30.

Particulars	June 1 (₹)	June 30 (₹)
Cost of raw materials	60,000	50,000
Cost of work-in-process	12,000	15,000
Cost of stock of finished goods	90,000	1,10,000
Purchase of raw materials during June 2020		4,80,000
Wages paid		2,40,000
Factory overheads		1,00,000
Administration overheads (related to production)		50,000
Selling & distribution overheads		25,000
Sales		10,00,000

Required:

Prepare a statement giving the following information:

- Raw materials consumed
 - Prime cost
 - Factory cost
 - Cost of goods sold and
 - Net profit
3. ABC Ltd. Manufactures two types of machinery equipment Y and Z and applies/absorbs overheads on the basis of direct-labour hours. The budgeted overheads and direct-labour hours for the month of December are ₹12,42,500 and 20,000 hours respectively. The information about Company's products is as follows:

Equipment	Budgeted Production volume	Direct material cost	Direct labour cost
Y	2,500 units	₹300 per unit	₹450 (3 hours @ ₹150 per hour)
Z	3,125 units	₹ 450 per unit	₹600 (4 hours @ ₹150 per hour)

ABC Ltd.'s overheads of ₹12,42,500 can be identified with three major activities: Order Processing (₹2,10,000), machine processing (₹8,75,000), and product inspection (₹1,57,500). These activities are driven by number of orders processed, machine hours

worked, and inspection hours, respectively. The data relevant to these activities is as follows:

	Orders processed	Machine hours worked	Inspection hours
Y	350	23,000	4,000
Z	250	27,000	11,000
Total	600	50,000	15,000

Required:

- Assuming use of direct-labour hours to absorb/apply overheads to production, compute the unit manufacturing cost of the equipment y and z, if the budgeted manufacturing volume is attained.
- Assuming use of activity-based costing, compute the unit manufacturing costs of the equipment y and z, if the budgeted manufacturing volume is achieved.

4. Sanz Ltd., is a manufacturing company having three production departments, 'A', 'B' and 'C' and two service departments 'X' and 'Y'. The following is the budget for December 2024:

	Total (₹)	A (₹)	B (₹)	C (₹)	X (₹)	Y (₹)
Direct material		1,00,000	2,00,000	4,00,000	2,00,000	1,00,000
Direct wages		5,00,000	2,00,000	8,00,000	1,00,000	2,00,000
Factory rent	4,00,000					
Power	2,50,000					
Depreciation	1,00,000					
Other overheads	9,00,000					

Additional information:

	Area (Sq. ft.)	Capital value of assets (₹lakhs)	Machine hours	Horse power of machines
A	500	20	1,000	50
B	250	40	2,000	40
C	500	20	4,000	20
X	250	10	1,000	15
Y	500	10	1,000	25

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

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

Prepare a statement showing distribution of overheads to various departments.

5. The Accountant of Y Ltd. has computed employee turnover rates for the quarter ended 31st March, 2025 as 10%, 5% and 3% respectively under 'Flux method', 'Replacement method' and 'Separation method' respectively. If the number of workers replaced during that quarter is 30,
Find out the number of workers for the quarter
- recruited and joined
 - left and discharged
 - Equivalent employee turnover rates for the year.
6. The following information is provided by Sunrise Industries for the fortnight of April, 2025:
Material Exe:
Stock on 1-4-2025 - 100 units at ₹5 per unit.

Purchases

5-4-2025, 300 units at ₹6
8-4-2025, 500 units at ₹7
12-4-2025, 600 units at ₹8

Issues

6-4-2025, 250 units
10-4-2025, 400 units
14-4-2025, 500 units

Required:

- (A) Calculate using FIFO and LIFO methods of pricing issues:
- the value of materials consumed during the period
 - the value of stock of materials on 15-4-2025.

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
Principles and Practice of Auditing I

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

SECTION – A

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

1. State with reasons (in short) whether the following statement is correct or incorrect:
 - a) PPE are depreciated when the asset is actually put to active use. (2 Marks)
 - b) Material and wages are considered to be revenue expenditure when incurred for construction of building. (2 Marks)
 - c) Low acceptable sampling risk requires larger sample size. (2 Marks)
 - d) Analytical Procedures are required in the planning phase only. (2 Marks)
 - e) Maintenance of Internal Control System is the responsibility of the Statutory Auditor. (2 Marks)
 - f) Tests of control are performed to obtain audit evidence about the effectiveness of Internal Controls Systems. (2 Marks)
 - g) The audit plan is more detailed than the overall audit strategy. (2 Marks)
 - h) Planning is a discrete phase of an audit. (2 Marks)
 - i) The basic objective of audit does not change with reference to nature, size or form of an entity. (2 Marks)
 - j) The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. (2 Marks)

SECTION– B

II Answer any FOUR questions: (Out of 5 questions)**4 x 10 = 40**

2. Write short notes on the following:
 - (a) Advantages of Statistical sampling in Auditing. (5 Marks)
 - (b) Stratified sampling. (5 Marks)
3. (a) Explain types of controls in an automated environment. (5 Marks)
(b) Is materiality required to be documented by the auditor? What factors have to be considered in this regard? (5 Marks)

4. (a) Planning is not a discrete phase of an audit, but rather a continual and iterative process. Explain. (5 Marks)
(b) Explain the benefits of planning an audit. (5 Marks)
5. (a) Explain Advantages of getting Financial Statements audited. (5 Marks)
(b) State the meaning of Audit. Explain how to ensure that financial statements would not mislead anybody. (5 Marks)
6. (a) What are the disclosures requirements as per Part I of Schedule III to the Companies Act with respect to the cash & cash equivalents held by a company? (5 Marks)
(b) How will you vouch and/or verify Borrowings from banks? (5 Marks)

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
Strategic Financial Management

Duration: 2 hours**Max Marks: 60****SECTION – A****I. Answer the following: (compulsory)****1 x 20 = 20**

1. a) XYZ Ltd. is planning to introduce a new product with a project life of 8 years. Initial equipment cost will be 3.5 crores. Additional equipment costing 25,00,000 will be purchased at the end of the third year from the cash inflow of this year. At the end of 8 years, the original equipment will have no resale value, but additional equipment can be sold for 2,50,000. A working capital of 40,00,000 will be needed and it will be released at the end of eighth year. The project will be financed with sufficient amount of equity capital.

The sales volumes over eight years have been estimated as follows:

Year	1	2	3	4-5	6-8
Units	72,000	1,08,000	2,60,000	2,70,000	1,80,000

A sales price of 240 per unit is expected and variable expenses will amount to 60% of sales revenue. Fixed cash operating costs will amount 36,00,000 per year. The loss of any year will be set off from the profits of subsequent two years. The company is subject to 30 per cent tax rate and considers 12 per cent to be an appropriate after-tax cost of capital for this project. The company follows straight line method of depreciation.

Required:

CALCULATE the net present value of the project and advise the management to take appropriate decision. Note: The PV factors at 12% are

Year	1	2	3	4	5	6	7	8
PV Factor	0.893	0.797	0.712	0.636	0.567	0.507	0.452	0.404

(10 Marks)

b) Following information has been provided from the books of M/s Laxmi & Co. for the year ending on 31st March, 2025:

Net Working Capital	4,80,000
Bank overdraft	80,000
Fixed Assets to Proprietary ratio	0.75
Reserves and Surplus	3,20,000
Current ratio	2.5
Liquid ratio (Quick Ratio)	1.5

You are required to PREPARE a summarized Balance Sheet as at 31st March 2020.

(10 Marks)

SECTION- B

II. Answer any FOUR questions: (Out of 5 questions)

4 x 10 = 40

- 2) CALCULATE the operating leverage, financial leverage and combined leverage from the following data under Situation I and II and Financial Plan A and B:

Installed Capacity	4,000 units
Actual Production and Sales	75% of the Capacity
Selling Price	30 Per Unit
Variable Cost	15 Per Unit

Fixed Cost:

Under Situation I	15,000
Under Situation-II	20,000

Capital Structure:

	Financial Plan	
	A	B
Equity	10,000	15,000
Debt (Rate of Interest at 20%)	10,000	5,000
	20,000	20,000

- 3) Following data has been available for a capital project:

Annual cash inflows	70,000
Useful life	5 years
Salvage value	0
Internal rate of return	13%
Profitability index	1.07762

You are required to CALCULATE the following for this project:

- Cost of project
- Cost of capital
- Net present value
- Payback period

PV factors at different rates are given below:

Discount factor	12%	11%	10%	9%
1 year	0.893	0.901	0.909	0.917
2 year	0.797	0.812	0.826	0.842
3 year	0.712	0.731	0.751	0.772
4 year	0.636	0.659	0.683	0.708

- 4) The following information is supplied to you:

Total Earnings	2,00,000
No. of equity shares (of 100 each)	20,000
Dividend paid	1,50,000
Price/ Earnings ratio	12.5

Applying Walter's Model:

- A) ANALYSE whether the company is following an optimal dividend policy.
- B) COMPUTE P/E ratio at which the dividend policy will have no effect on the value of the share.
- c) Will your decision change, if the P/E ratio is 8 instead of 12.5? ANALYSE.
- 5) XY Ltd provides the following information for the year ending on 31st March 2025.

Equity share capital	Rs. 8,00,000
Closing Stock	Rs. 1,50,000
Stock turnover ratio	5 times
Gross Profit ratio	20%
Net Profit/Sales	16%
Net Profit/Capital	25%

You are required to prepare Trading and Profit & Loss account for the year ending on 31st March 2025.

- 6) a) "The profit maximization is not an operationally feasible criterion." Comment on it.
- b) Write the main features of Bulldog Bond.

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. FIFTH SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE
Advanced Audit and Assurance

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

Section A

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

1. It is 1 July 20X5. Plaza Co is a major food retailer. Further to the success of its national supermarkets it has extended its operations throughout Europe and most recently to Asia, where it is expanding rapidly.

You are a manager in Andando, a firm of Chartered Certified Accountants. You have been approached by Duncan Seymour, the CFO of Plaza, to advise on a bid that Plaza is proposing to make for the purchase of MCM.

MCM provides training in management, communications and marketing to a wide range of corporate clients, including multi-nationals. MCM is currently wholly owned by Frontiers, an international publisher of textbooks, whose shares are quoted on a recognised stock exchange. MCM has a National and an International business.

The National business comprises 11 training centres. The audited financial statements show revenue of \$12.5 million and profit before income taxes of \$1.3 million for this geographic segment for the year to 31 December 20X4. Most of the National business's premises are owned or held on long leases. Trainers in the National business are mainly full-time employees.

The International business has five training centres in Europe and Asia. For these segments, revenue amounted to \$6.3 million and profit before income taxes \$2.4 million for the year to 31 December 20X4. Most of the International business's premises are held on annual leases. International trade receivables at 31 December 20X4 amounted to \$3.7 million. Although the International centres employ some trainers full-time the majority of trainers provide their services as freelance consultants.

Illustrate how the following techniques be used in the due diligence review of MCM Co:

- A) inquiry; and (7 marks)
- B) analytical procedures. (8 marks)

2. a) Explain the term "money laundering". (3 marks)
- b) Comment on the need for ethical guidance for accountants on money laundering. (4 marks)
- c) The Financial Action Task Force on Money Laundering (FATF) recommends preventative measures to be taken by independent legal professionals and accountants (including sole practitioners, partners and employed professionals in professional firms). Describe FIVE measures that assist in preventing professional accountants from being used for money laundering purposes. (8 marks)
3. It is 1 July 20X5. You are the manager responsible for the audit of Setter Stores Co (Setter), a company which operates supermarkets across the country. The final audit for the year ended 31 January 20X5 is nearing completion and you are reviewing the audit working papers. The draft financial statements recognise total assets of \$300 million, revenue of \$620 million and profit before income taxes of \$47.5 million. Two issues from the audit working papers are summarised below:
- A) Sale and leaseback arrangement
- A sale and leaseback arrangement involving a large property complex was entered into on 31 January 20X5. The property complex is a large warehousing facility, which was sold for \$37 million, its fair value at the date of the disposal. The facility had a carrying amount at that date of \$27 million. The only accounting entry recognised in respect of the proceeds raised was to record the cash received and recognise a non-current liability classified as "Lease liability". The lease term is 20 years, the same as the remaining useful life of the property complex, and the lease meets the requirements of IFRS 15 Revenue from Contracts with Customers for the transfer of the asset to be treated as a sale. (8 marks)
- B) Distribution licence agreement
- The statement of financial position includes an intangible asset of \$15 million, which is the cost of a distribution licence acquired on 1 September 20X4. The licence agreement gives Setter the exclusive right to distribute a popular branded soft drink in its stores for a period of five years. (7 marks)
- Comment on the matters to be considered and explain the audit evidence you should expect to find during your file review in respect of each of the issues described above.
4. It is 1 July 20X5. You are an audit manager in Chester & Co and you are reviewing three situations which have recently arisen with respect to potential and existing audit clients of your firm. The following exhibits provide information relevant to the question:
- Tetbury Co – provides information regarding services for this potential new client.
- Stratford Co – information about the service requested by Stratford Co.

This information should be used to answer the question requirements.

1. Tetbury Co

Tetbury Co's managing director, Juan Stanton, has approached Chester & Co to invite the firm to tender for its audit. Tetbury Co is a small, owner-managed company providing financial services such as arranging mortgages and advising on pension plans. The company's previous auditors recently resigned. Juan Stanton states that this was due to "a disagreement on the accounting treatment of commission earned and because they thought our controls were not very good". You are aware that Tetbury Co has been investigated by the financial services authority for alleged noncompliance with its regulations. As well as performing the audit, Juan would like Chester & Co to give business development advice.

2. Stratford Co

The audit of Stratford Co's financial statements for the year ended 30 June 20X5 will commence shortly. You are aware that the company is in financial difficulties. Stratford Co's managing director, Colin Charlecote, has requested that the audit engagement partner accompanies him to a meeting with the bank where a new loan will be discussed and the draft financial statements reviewed. Colin has hinted that if the partner does not accompany him to the meeting, he will put the audit out to tender. In addition, an invoice relating to interim audit work performed in March 20X5 has not yet been paid.

Identify and discuss the ethical and other professional issues raised and recommend any actions that should be taken in respect of:

1. Tetbury Co (8 marks)

2. Stratford Co (7 marks)

Section B

Answer any TWO of the following:

(2×10= 20)

5. (a) Shire Co is an oil producer. In early December 20X4, the company was awarded a new five-year licence, by the national government, to explore for oil in a remote region. The licence was granted at no cost to Shire Co. However, Shire Co's management has decided to recognise the licence at an estimated fair value of \$3 million. The financial statement for the year ended 28 February 20X4 show revenue \$22 million (20X4 — \$18.3 million), profit before income taxes \$5.5 million (20X4 — \$4.2 million) and total assets \$95.9 million (20X4 — \$92.3 million).

Required: Comment on the matters that should be considered and explain the audit evidence you should expect to find in your file review in respect of the licence. (5 marks)

(b) Pine Co. operates a warehousing and distribution service and owns 120 properties. During the year ended 28 February 20X5, management changed its estimate of the useful life of all properties, extending the life on average by 10

years. The financial statements contain a retrospective adjustment, which increases opening non-current assets and equity by a material amount. Information in respect of the change in estimate has not been disclosed in the notes to the financial statements.

Identify and explain the potential implications for the auditor's report of the accounting treatment of the change in accounting estimates. (5 marks)

6. Suggest how the nature, timing and extent of direction and supervision would change based on the assessed risk of material misstatement and the level of experience of a member of the audit team.
7. It is 1 July 20X5. You are a manager in Monet & Co, a firm of accountants which has 12 offices and 30 partners, 10 of whom are members of ACCA. As an expert in ethics and professional conduct, you have been asked to advise the partners on the following issue, which was raised at a recent meeting.

The planning for the audit of Renoir Co's financial statements for the year ending 31 July 20X5 will commence shortly. In preparation, the audit partner telephoned Renoir Co's finance director, Jim Cassatt, to set up a planning meeting and to remind him that fees relating to a tax engagement from the previous year were still outstanding. Mr Cassatt raised concerns about the conduct of the previous audit, stating numerous examples of when he and his staff had been interrupted when they were busy. He stated that he wanted guarantees that this year's audit will be more efficient, less intrusive and cheaper; otherwise he will seek an alternative auditor.

Evaluate the issue described above, commenting on the ethical and professional issues raised and recommend any actions necessary in response to the issues identified.

8. It is 1 July 20X5. You are a manager in Aroma & Co, a firm of Chartered Certified Accountants which offers a range of assurance and accountancy services. Sparkle Co., a listed company has approached you to conduct the audit for the company. Sparkle Co is a national distributor of domestic cleaning products which are bought from wholesalers. The company employs a team of approximately 650 sales staff around the country who sell to both domestic households and small to medium-sized businesses. Around 75% of Sparkle Co's sales transactions are cash-based and each sales staff prepares a monthly cash report.

To help create "an entrepreneurial spirit" amongst sales staff, the chief executive officer (CEO) is encouraging cash sales to friends and family on a commission basis. Leading the way with this scheme, the CEO recently sold products with a value of \$35,000 to a business associate. The funds have been transferred directly

into an off-shore bank account in Sparkle Co's name on which the CEO is the sole signatory.

- (a) Identify and explain the indicators, if any, of money laundering activities. (5 Marks)
- (b) An audit team member is of the view that the reporting of information pertaining to the above activity might lead to breach of confidentiality. Express your opinion on this. (5 Marks)

Section C

Answer any TWO of the following:

(2×5= 10)

- 9. Explain and differentiate between the terms "overall audit strategy" and "audit plan".
- 10. Give TWO examples for each of the following components of system of quality management:
 - (a) Ethical and professional requirements;
 - (b) Client acceptance and continuation;
 - (c) Engagement performance.
- 11. A European airline places an order for an aircraft to be paid in USD. The contract specifies that a refundable deposit of 10% of the cost must be paid on signing the contract. Twelve months after the date of the contract, a further 40% is required. Together with the original 10%, this will be treated as a non-refundable prepayment. On delivery of the aircraft, the remaining 50% must be paid.
Required:
Explain how the deposit and prepayment should be treated under IAS 21.
- 12. You are the newly appointed auditor of Badge Craft Co, a small business specialising in making novelty badges. The staff comprises three badge-makers, a part-time bookkeeper and Mr Mole (the majority shareholder). Your review of the accounting system shows that there are few formal controls in place. Mr Mole assures you that he exercises complete personal control and will provide a written confirmation that all transactions have been completely and accurately recorded.
Required:
Suggest the factors you would take into account in assessing this representation as audit evidence.

