FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Third Semester M.Com Degree Examination, November 2018

MCOM3B11 - Financial Markets & Institutions

(2016 Admission onwards)

Max. Time: 3 hours   Max. Weightage: 36

Part I

I.   **Answer all the *Six* questions, each carries 1 Weightage:**

1. What do you mean by BOLT?
2. Define Money market.
3. What is commodity exchange?
4. What do you mean by growth funds?
5. What is forward market commission?
6. What is PFRDA?

                                            (1 x 6=6 Weightage)

Part II

II.   **Answer any *Six* questions, each carries 3 Weightage:**

7. Briefly explain the role of SEBI.
8. What are the determinants of general structure of interest rates?
9. Explain the problems of mutual funds in India.
10. Distinguish between Certificate of Deposits and Commercial Paper.
11. Explain the hindrances for the development of debt market.
12. Explain some of the important forms of foreign investments in India.
13. Write a note on IRDA.
14. Discuss the government policy towards foreign capital in India.

                                          (3 x 6=18 Weightage)

Part III

III.   **Answer any *Two* questions, each carries 6 Weightage:**

15. Define Interest. Write a note on the level or determinants of interest rates.
16. What do you mean by debt market? Explain the different types of debt instruments available in India.
17. What do you mean by the term Provident funds? Explain the schemes introduced by government for employees.

                                          (6 x 2=12 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Third Semester M.Com Degree Examination, November 2018

MCOM3B12 – Income Tax Law and Practice

(2016 Admission onwards)

Max. Time: 3 hours　　　　　　　　　　　　　　　　　　　Max. Weightage: 36

PART A
Answer all questions
Each question carries one Weightage

1. What is clubbing of income?

2. What do you mean by best judgment assessment?

3. Define a Person

4. How the capital gain is computed?

5. What is written down Value?

6. What are the provisions for deducting unrealized rent from GAV?

(6 x 1= 6 Weightage)

PART B
Answer any six questions
Each question carries three Weightage

7. Explain the procedure for valuation of RFA.

8. What is Annual value? Explain the deductions that are allowed from the annual value in computing the income from house property?

9. Explain the provisions regarding taxation of gratuity.

10. Mr. Sharafudheen was employed in a Company. He took voluntary retirement on 1 December 2017 after completing 25 years of service. On 1 January 2017, his salary was Rs 6000 p.m. after adding the annual increment. In this company, two months' leave accrued every year. Compute the amount exempt regarding encashment of earned leave, if his other particulars were as follows:

   a. Total leave availed during service : 10 months

   b. Amount actually received　　　　　: Rs 2,50,000.

11. Compute the income from house property from the following information:

   Fair Rent　　　　　　: 72,000

   Let out　　　　　　　: 7000 p.m.

   Standard rent　　　　: 60,000

Municipal tax paid @20% of Municipal Value:

  PY 2017-18   : 10,000

  PY 2016-17   : 10,000

Other information:

a. House remained vacant for two months during the PY.

b. Unrealized rent allowed as deduction in the AY 2016-17 but received during the
   PY 2017-18   : 20,000.

c. Expenditure incurred on collecting unrealized rent Rs 5000.

d. Arrears of rent received during the PY Rs 12,000.

12. The income of Mr Saleem, a disabled, for the AY 2018-19 consists of the following:

    i.   Income from business   : 3,17,000

    ii.   One third share from an AOP   : 50,000

    iii. One fourth share in profit from a firm   : 42,000

    iv.   Income from house property   : 50,000

    v.   Bank interest on time deposit   : 20,000

Find out his tax liability for the AY 2018-19 if his wife has also a taxable income of
Rs 2,75,000.

13. Mr Govindan, Karta of a HUF furnishes following details of income for the financial
    year 2017-18:

    a. Profit from family business   : 3,04,000

    b. Salary received by a member of family for looking after the family business
       1,20,000.

    c. Remuneration received by Karta for working as secretary in a company 5,30,000.

    d. Municipal value of ancestral house let out 34,000.

    e. Local taxes of the house paid 4000.

    f. Dividend from an Indian company 8000.

    g. LTCG 39,000.

    h. Profit from a firm 28,000.

    i. Donation to a recognized education institution in cash 10,000.

    j. Life insurance premium paid 6000.

    Compute the tax liability of the family for the AY 2018-19.

14. From the following information compute the total income of the firm for the AY
    2018-19:

    a. Profit from an industrial undertaking 40,000.

    b. Profit from the business of poultry breeding 20,000.

c. STCG 20,000.

d. LTCG 40,000.

e. Interest from bank 6000

f. Loss from house property Rs 10,000 on account of interest on loan taken to construct the property.

g. Donation to approved charitable institution by cheque Rs 5000

(6 x 3= 18 Weightage)

Part C
Answer any two Questions.
Each carries six Weightage.

15. Compute the total income and tax payable by Mrs Amrutha, 40 years for the AY 2018-19:

    i.   Income from salary   : 3,60,000

    ii.   Annual value of house property   : 40,000

    iii.   Interest on loan taken to purchase a house which is used for self residence Rs 20,000.

    iv.   She has sold another residential house on 1.4.2017 for Rs 29,52,000. Its fair market value on 1.4.1981 was Rs 2,00,000. She reinvested on 30.7.2017 Rs 3,76,000 in the bonds of NHAI.

    v.   Winning from race Rs 40,000 and lottery Rs 2000.

    vi.   She paid Rs 20,000 by cheque as premium to secure the health insurance of GIC for her family.

    vii. Her mother is suffering from cancer and she spent Rs 16,500 on her treatment during the PY.

    viii. Her son is disabled and she spent Rs 15,000 for his treatment.

    ix.   Donation of Rs 20,000 to Gujarath State Chief Minister's Relief Fund.

16. Explain in detail the deductions available to an individual while computing his total income.

17. From the details of income, compute the tax liability of a HUF for the AY 2018-19:

    i.   The family runs a business and earned a profit of Rs 5,90,000.

    ii.   Salary received by a member of the family 10,000.

    iii.   Director fee received by the Karta 8000.

    iv.   Rent from let out property 20,000. (Municipal tax paid Rs 1000).

    v.   Annual municipal value of the joint family house Rs 18,000(Municipal tax paid Rs 1000 and interest on loan for construction of house Rs 20,000).

vi.   Interest Rs 5000.

vii. Long term capital gain from transfer of building 10,000.

viii. Profit from an AOP (1/4th Share) 10,000.

ix.   Dividend from companies 10,000.

x.   Donation to NDF 5000.

xi.   Medical insurance premium on the health of the members of the family paid by cheque Rs 6000.

xii. Premium paid on LIC policies 19,000.

(2 x 6= 12 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.Com Degree Examination, November 2018
MCOM3B13 – Research Methodology
(2016 Admission onwards)

Max. Time: 3 hours   Max. Weightage: 36

Part A
Answer all the questions.
Each question carries one Weightage

1. What is a research hypothesis?
2. List out two features of descriptive research?
3. What is the purpose of Pilot survey?
4. Distinguish Questionnaire and Interview schedule?
5. What is Univariate Analysis?
6. Explain the term variable with examples.

(6 x1 = 6 Weightage)

Part B
Answer any six of the following questions.
Each question carries 3 Weightage

7. What are the objectives of social science research?
8. What is optimum sample size? How to ensure that a sample size is optimum?
9. What is reliability of a scale? How to test reliability of a scale?
10. Distinguish Bibliography and referencing. What is MLA and APA style of bibliography?
11. List out the content of an academic project report.
12. What is research methodology? Explain the steps in scientific research process.
13. What is primary data? Explain the significance and limitations of primary data.
14. Write short notes on (a) Editing of data (b) Foot note (c) Measurement error

(6 x 3 =18 Weightage)

Part C
Answer any Two of the following questions.
Each question carries 6 Weightage

15. What is measurement and scaling? Briefly explain the different scaling techniques with examples of questions.
16. What is Questionnaire? What are the essentials of questionnaire? Prepare a sample questionnaire to analyse the customer satisfaction of a service organisation.
17. What is a research design? What are the factors affecting research designs in different types of research?

(2 x 6 = 12 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Third Semester M.Com Degree Examination, November 2018

MCOM3B14 – Financial Management

(2016 Admission onwards)

Max. Time: 3 hours   Max. Weightage: 36

PART-A

Answer all the questions. Each carries 1 Weightage

1. What is levered leasing?

2. What is hurdle rate?

3. What is optimum capital structure?

4. What is stock dividend?

5. What does "$DOL_{5000\ units} = 5$" really mean?

6. What is permanent working capital?   **(6 x1= 6 Weightage)**

PART- B

Answer any Six questions. Each carries 3 Weightage

7. Using the CAPM, determine the required return on equity for the following situations. What generalization can you make?

Situation	Expected Return on Market Portfolio (%)	Risk Free rate (%)	Beta
1	15	10	1.00
2	18	14	0.70
3	15	8	1.20
4	17	11	0.80
5	16	10	1.90

8. The Boom Pickens Corporation has earnings before interest and tax of Rs 30,00,000 and 40 per cent tax rate. It is able to borrow at an interest rate of 14%, whereas its equity capitalization rate in the absence of borrowing is 18%. The earnings of the company are not expected to grow, and all earnings are paid out to shareholders in the form of dividends. In the presence of corporate but no personal taxes, what is the value of the company in an M&M world a) with no financial leverage, b) with 40,00,000 in debt and c) with 70,00,000 in debt?

9. Calculate operating leverage. financial leverage and combined leverage from the following data

Units sold 10,000 . Selling price per unit Rs 60. Variable cost per unit Rs 40. Fixed cost Rs 3,00,000. Interest Rs 1,00,000. Tax rate 50%, Preference dividend Rs 50,000.

10. Why would an investor want to invest in warrants as opposed to common stock?

11. What are the principal factors that can be varied in setting credit policy?

12. Royal Industries feels a lock-box system can shorten its accounts receivable collection period by 3 days. Credit sales are estimated at Rs 365 lakh per year, billed on a continuous basis. The firms opportunity cost of fund is 15%. The cost of lockbox system is Rs 50,000. Will you advise the company to go for lock box system? Will your answer be different if accounts receivable collection period is reduced by 5 days?

13. Explain the factors that determine the dividend policy of a company?

14. How can a firm reduce its investment in inventories?

(6 x 3= 18 Weightage)

PART C
Answer any two questions. Each carries 6 Weightage

15. Estimate the net working capital requirements from the following information;

Raw material cost – Rs 80 per unit. Direct labour Rs 30 per unit, Overhead (exclusive of depreciation Rs 10 per unit) - Rs 60 per unit, Selling price Rs 200 per unit, Yearly production- 104000 units, Raw material in stock- average 4 weeks, Work in progress (assume 50% completion stage in respect of conversion costs and 100 % completion in respect of materials) – average 2 weeks, Finished goods in stock- average 4 weeks, Credit allowed by suppliers- average 4 weeks, Credit allowed to debtors- average 8 weeks, Lag in payment of wages- average 1.5 weeks, Cash at bank is expected to be Rs 25000.

Assume that the production is carried on evenly throughout the year and wages and overheads accrue similarly. All sales are on credit basis only.

16. Define capital structure? What are the major determinants of capital structure? Briefly explain the approaches to capital structure.

17. The following is the capital structure of Asbestos company Limited as on 31stMarch 2015. Equity capital (Rs 100 Each) Rs 20 lakh, 10% preference shares (of Rs 100 each) Rs 8 lakh, 12% debentures Rs 12 lakh. The market price of the company's share is Rs 110 and it is expected that a dividend of Rs 10 per share would be declared after one year. The dividend growth rate is 6%.
   a) If the company is in the 50% tax bracket, compute the weighted average cost of capital
   b) Assuming that in order to finance an expansion plan, the company intended to borrow an amount of Rs 20 lakh bearing 15% rate of interest, what will be the company's revised WACC? This financing decision is expected to increase dividend from Rs 10 to Rs 12 per share. However, the market price of equity share is expected to decline from Rs 110 to Rs 105 per share.

(2 x 6= 12 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.Com Degree Examination, November 2018
MCOM3B15 – Security Analysis & Portfolio Management
(2016 Admission onwards)

Max. Time: 3 hours   Max. Weightage: 36

Part-I
Answer all questions. Each question carries one Weightage.

1. What is investment?

2. Define purchasing power risk.

3. What do you mean by expected return?

4. What is bond duration?

5. What is SML?

6. What is an efficient portfolio?

                                                          (6 x1=6 *Weightage*)

Part-II
Answer any six questions. Each question carries three Weightage.

7. Discuss the portfolio management process.

8. What is the significance of beta in investment management?

9. What is meant by bond immunization? Explain its importance.

10. Write a note on "Japanese candle sticks".

11. Explain Elliot wave theory. Discuss its importance in security analysis.

12. What is meant by optimal portfolio? How is it identified?

13. Alpha Ltd foresees growth rate of 12% per annum in the next 4 years. After four years the growth rate of dividend is assumed to decline linearly to 8%. After 7 years, the growth rate is expected to stabilise at 6% per annum. The company paid a dividend of Rs. 1.75 per share during the current year. It is expected to pay a dividend of Rs.2 per share during the next year. If the investors required rate of return is 14%, find out the intrinsic value per share of Alpha Ltd.

14. Sona Ltd. has a 14% debenture with a face value Rs.1000 that natures at par in 15 years. The debenture is callable in five years at Rs.1140. It currently sells for Rs.1050. Calculate each of the following for this debenture:

     a) Current yield

     b) Yield to call

     c) Yield to maturity

                                                        (6 x 3 = 18 *Weightage*)

Part-III

Answer any two questions. Each question carries six Weightage.

15. What are various forms of investment alternatives? Give a detailed account of any five.

16. What are the basic assumptions of CAPM? What are the advantages of adopting the CAPM model in portfolio management?

17. You are given the following historical performance information on the capital market and a mutual fund:

Year	Mutual fund beta	Mutual fund return %	Return on market index %	Return on govt. Securities %
1	0.90	-3.00	-8.5	6.50
2	0.95	1.5	4.00	6.50
3	0.95	18.00	14.00	6.00
4	1.00	22.00	18.50	6.00
5	1.00	10.00	5.70	5.75
6	0.90	7.00	1.20	5.75
7	0.80	18.00	16.00	6.00
8	0.75	24.00	18.00	5.50
9	0.75	15.00	10.00	5.50
10	0.75	-2.00	8.00	6.00

Calculate the following risk adjusted return measures for the mutual fund:

a) Reward to variability ratio

b) Reward to volatility ratio

Comment on the mutual funds performance.

(2x 6 = 12 *Weightage*)