

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.COM Degree Examination, November 2019
MCOM3B11 – Financial Markets & Institutions
(2018 Admission onwards)

Time: 3 hours

Max. Weightage: 36

Part A**Answer all questions.****Each question carries 1 weightage**

1. Define money market.
2. What is short selling?
3. What is commodity market?
4. What is MMMF?
5. Define Foreign Direct Investment.
6. What is G-sec market?

(6×1=6 Weightage)**Part B****Answer any six questions.****Each question carries 3 weightage.**

7. State the differences between futures and options.
8. What are the features of debt market?
9. What are the determinants of foreign capital?
10. Recently the companies issued new instruments to meet the requirements of the investors in terms of security, rate of return, marketability and appreciation in value. What are they?
11. Who are the participants in the commodity market?
12. What are the defects of Indian money market?
13. What are the types of transactions carried in stock exchanges of India?
14. How interest is determined on the basis of liquidity preference theory?

(6×3= 18 Weightage)**Part C****Answer any two questions.****Each question carries 6 weightage.**

15. Discuss the significance of financial system in the economic development of a country.
16. What is a depository system? Explain the merits and drawbacks of depository system in India?
17. Examine the regulatory frame work related with NRI investment in India.

(2×6= 12 Weightage)

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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.COM Degree Examination, November 2019
MCOM3B12 – Income Tax Law and Practice
 (2018 Admission onwards)

Time: 3 hours

Max. Weightage: 36

Part A**(Answer all questions. Each question carries one weightage)**

1. What do you mean by accelerated assessment? What are the situations where accelerated assessment is done?
2. What do you mean by clubbing of income? State any two situations where clubbing is done.
3. Write deduction U/S 80 DD.
4. Explain the residential status of HUF.
5. What do you mean by bond washing transactions?
6. What do you mean by converted property? Explain its tax treatment.

(6 x 1=6 weightage)**Part B****(Answer any six questions. Each question carries three weightage)**

7. Explain the valuation of RFA.
8. The following income details of Mr. Sangeeth are available.
 - Income accrued in USA but received in India Rs. 20,000
 - Rs. 50,000 earned in England and received there but brought to India
 - Rs. 50,000 earned in India but received in Germany
 - Rs. 1,00,000 earned and received in Doha from a business controlled from India
 - House property income (computed) from Doha Rs. 20,000 received there
 - Rs. 40,000 was past untaxed foreign income which was brought to India during the previous year.
 - Profit from a business in Kanpur Rs. 1,00,000

Compute taxable income if Mr. Sangeeth is:

- a) Ordinarily Resident
- b) Not ordinarily resident
- c) Non resident

9. From the following data, calculate capital gain

Land purchased in 1997	50,000
FMV of land and building on 1-4-2001	7,60,000
Cost of construction of first floor in 1999	3,00,000
Cost of construction of second floor in 2005	4,00,000
Sales proceeds	75,00,000

(CII; 2005-06 = 117)

10. Mr. X is a person with severe disability. He had the following particulars of his income for the previous year 2018-19.

Income from salary	5,80,000
Interest on savings bank account	4,000
Dividend from a co-operative society	3,000
Dividend from Indian company	2,000

Compute his total income.

11. The following particulars of income of Mr. Raj for the previous year ended 31st March 2019 are given to you.

- Interest received on listed debentures – Rs 9000
- Business income – Rs 70000
- Share of loss from a partnership firm – Rs 200000
- Speculation loss – Rs 3000
- Dividend from Indian company – Rs 50000
- Short term capital gain – Rs 25000

Compute Gross Total Income for the assessment year 2019-20.

12. From the information given below, compute income from business of AB associates, a firm of A and B who share profits and losses in the ratio of 1:2.

Net profit as per P & L a/c (after debiting the following) – Rs 20,000

- Salary: Partner A – Rs 60,000, Partner B – Rs 40,000
- Commission: Partner A – Rs 20,000
- Interest on capital (15%): Partner A – Rs 9,000, Partner B – Rs 6,000
- Rent paid to partner B – Rs 36,000

The payments to partners A and B (who are working partners) have been made in accordance with the partnership deed. The firm satisfies the conditions of section 184. Partner A has income from other sources of Rs 40000 while Partner B has short term capital gains of Rs 50000 and long term capital gains of Rs 60000.

Also compute the taxable income of partners.

13. Define assessment. Explain different types of assessment.

14. Compute income from House Property of Mr. Raju for the assessment year 2019-20.

Fair rental value Rs. 1, 44,000

Standard rent Rs. 60,000

The property has been let out at the rate of 14,000 p.m

Municipal tax paid by him during the year, for the financial years (10% of MRV)

2018-19- Rs. 20,000, 2019-20 – Rs. 20,000

Other information:

- House remained vacant for two months during the previous year
- Unrealized rent earlier allowed as deduction, realized during the year Rs. 40,000
- Expenditure incurred on collecting unrealized rent Rs. 10,000
- Arrears of rent received during the year Rs. 24,000

15. Sri Rajaram has the following incomes during the financial year 2018-19

Agricultural Income Rs 40,000

Non-agricultural income Rs. 6, 00,000

Compute his tax liability for the assessment year 2019-20.

(6 x 3=18 weightage)

Part C

(Answer any two questions. Each question carries six weightage)

16. Explain the powers of income tax authorities.

17. Mr. Karthikeyan, the Karta of a Hindu Undivided Family, gives you the following information.

Income from family business 2, 00,000

Income from salary 1, 50,000

Director's fees received by Karta 36,000

Annual rent of let out house of the family 48,000

Interest on bank deposit in the names of family members 40,000

Family share of profit from an AOP in which the Karta is a representative of the family

Rs. 50,000

Long term Capital Gains Rs.25, 000

Municipal tax paid for the let out house Rs. 5,000 (10% of municipal valuation)

Interest on loan taken to repair the let out house Rs. 40,000

Insurance premium paid for the members of the family Rs. 10,000

Donation to Chief Ministers relief fund Rs. 20,000

Compute total income and tax liability of HUF.

18. Mr. Devan is an employee of a private limited company in Delhi. The following details of his income during the financial year ended 31.3.2019 are available.

- Basic salary @15,000 p.m
 - Dearness Allowance (adhoc) Rs. 10,000
 - Entertainment allowance Rs. 10,000
 - Employer's contribution to the Recognized Provident Fund Rs. 20,000
 - His own contribution to the Provident fund Rs. 20,000
 - The company hired a house at Rs. 3,500 pm and allotted to the assessee for his stay, free of rent
 - Children's educational allowance paid for meeting the cost of higher education of the assessee's two sons Rs. 7,400.
 - Interest on fixed deposit from a Nationalized bank earned during the year Rs. 4,000
 - He received income from unit of mutual fund Rs. 10,000
 - He Paid interest on housing loan of own house Rs. 40,000 and the principal amount paid during the year Rs. 40,000. (loan taken in 1998)
 - Life insurance premium paid during the year Rs. 10,000
 - He donated Rs. 1,000 to National Foundation for Communal Harmony.
- Compute total income and tax payable for the assessment year 2019-20.

(2 x 6=12 weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.COM Degree Examination, November 2019
MCOM3B13 – Research Methodology
(2018 Admission onwards)

Time: 3 hours

Max. Weightage: 36

Part A

Answer all the questions. Each question carries one 1 weightage

1. Define Research.
2. What do you mean by Population of a Study?
3. What is Case Study?
4. Define a Dichotomous Question.
5. What is a Variable?
6. What is Semantic Differential Scale?

(6 x 1 = 6 weightage)

Part B

Answer any six of the following questions. Each question carries 3 weightage

7. What are the Sources of Research Problem?
8. Differentiate Interview Schedule from a Questionnaire?
9. Briefly explain Validity and Reliability of a Scale.
10. What are the Sources of Secondary Data?
11. What are the major tools of Inferential Analysis?
12. Explain Classification and Codification of Data.
13. Define Hypothesis. What are the types of Hypotheses?
14. Discuss the Probabilistic Methods of Sampling.

(6 x 3 = 18 weightage)

Part C

Answer any Two of the following questions. Each question carries 6 weightage

15. What do you mean by a Sample? What are the Qualities of a Good Sample? How would you determine the Sample Size?
16. Explain the Contents of a Research Report.
17. What is Research Design? Explain the different type of research design.

(2 x 6 = 12 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.COM Degree Examination, November 2019
MCOM3B14 – Financial Management
 (2018 Admission onwards)

Time: 3 hours

Max. Weightage: 36

PART-A**Answer all the questions. Each carries 1 Weightage.**

1. Explain the concept "Bridge Finance".
2. Write a short note on Euro- issues.
3. What is the correct basis for credit granting decision?
4. What are the assumptions of MM hypothesis ?
5. Write a brief note on risk-return trade off
6. What is dividend pay –out ratio ? (6x1=6 Weightage)

PART- B**Answer any Six questions. Each carries 3 Weightage**

7. "The profit maximization is not an operationally feasible criterion". Do you agree?
Illustrate your views.
8. Explain the factors that influence management's decision to pay dividend of a certain amount.
9. Discuss the determinants of working capital needs of an enterprise .
10. Give a critical appraisal of the traditional approach and MM approach to the problem of capital stricture.
11. X .Ltd. buys in lot of 125 boxes which is a three month supply. The cost per box is Rs.125 and the ordering cost is Rs.250 per order. The inventory carrying cost is estimated at 20% of unit value per annum .You are required to ascertain :
 - (i) What is the total annual cost of the existing inventory policy ?
 - (ii) How much money would be saved by employing the Economic Order Quantity ?
12. A company is considering raising of funds of about Rs.100 lakhs by one of the two alternative methods, viz., 14% institutional term loan and 13% non convertible debentures. The term loan option would attract no major incidental cost . The debentures would have to be issued at a discount of 2.5% and would involve cost of issue of Rs.1 lakh.

Advise the company as to the better option based on the effective cost of capital in each case. Assume a tax rate of 50%.

13. A company's capital structure consists of Rs.5,00,000 (shares of Rs.100 each) equity capital and Rs.2,00,000 10% Debenture. The sales increased by 20% from 50,000 units to 60,000 units: the selling price is Rs.10 per unit : variable cost amount to Rs.6 per unit and fixed expenses amount to Rs.1,00,000., The rate of income tax is assumed to be 50%.

You are required to calculate :

- (i) The percentage increase in EPS
 - (ii) The degree of financial leverage at 50,000 units and 60,000 units.
 - (iii) The degree of operating leverage at 50,000 units and 60,000 units.
14. The EPS per share of a company are Rs. 10 and the rate of capitalization applicable to it is 10%. The company has before it the options of adopting a payout of 20% or 40 % or 80 % .Using **Walter's formula** , compute the market value of the company's share if the productivity of retained earning is (i) 20% (ii) 10% and , (iii) 8% .

(6x3=18 Weightage)

PART C

Answer any two questions. Each carries 6 Weightage

15. Define capital structure .Discuss the deciding factors of proper pattern of capital structure for a company. Explain the impact of financial leverage on capital structure decisions.
16. The management of Gemini L.td has called for a statement showing the working capital needed to finance a level of activity of 3,00,000 units of outputs for the year .The cost structure for the company's product, for the above mentioned level of activity, is detailed below :

	Cost per unit (Rs.)
Raw material	20
Direct labour	5
Overheads	15
Total cost	40
Profit	10
Selling Price	50

Past trends indicates that raw materials are held in stock , on average , for two months
 Work in progress will approximate to half month's production
 Finished goods remain in warehouse, on an average ,for a month
 Suppliers of materials extend a month's credit. Two month's credit is normally allowed to debtors.

A minimum cash balance of Rs. 50,000 is expected to be maintained.

The production pattern is assumed to be even during the year .Prepare the statement of working capital determination

17. The existing capital structure of XYZ Ltd. is as follows.

	Rs.
Equity Shares of Rs.100 each	40,00,000
Retained Earnings	10,00,000
9% Preference Shares	25,00,000
7% Debentures	25,00,0000

The Company earns a return of 12% and the tax on income is 50%.Company wants to raise Rs. 25,00,000 for its expansion project for which it is considering following alternatives :

- i) Issue of 20,000 equity shares at a premium of Rs.25 per share
- ii) Issue of 10%Preference shares
- iii) Issue of 9% debentures.

Project that the P/E ratios in the case of equity, preference and debenture financing would be 20, 17 and 16 respectively.

(6x2=12 Weigatage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.COM Degree Examination, November 2019
MCOM3B15 – Security Analysis & Portfolio Management
 (2018 Admission onwards)

Time: 3 hours

Max. Weightage: 36

Part-1

Answer all questions. Each question carries one Weightage.

1. Define Behavioural Finance?
2. Explain yield to maturity?
3. Write any two limitations of Price to Earnings ratio?
4. Distinguish between investment and gambling?
5. State the meaning of beta?
6. Explain MACD?

(6 x 1 =6 Weightage)

Part-II

Answer any six questions. Each question carries three weightage.

7. Explain random walk theory?
8. Define CAPM and discuss its uses and limitations?
9. Explain the investment decision process?
10. Explain why economic analysis is conducted as a part of fundamental analysis?
11. What do you mean by market anomalies? Discuss any two major anomalies affecting the stock market?
12. What is market indicator? Briefly explain different type of market indicators?
13. Rank two funds with Treynor's performance index and Sharpe's Index from the following data.

Fund	Return	Standard Deviation	R_f	B
X	6	10	2	0.85
Y	3.3	5	2	1

Compute Treynor and Sharpe indices on two funds and comment?

14. An investor would likely to invest in a share and hold it for one year. The share is presently trading in the market for 43 but pays no dividends and there is an equal chance that the share will sell for either Rs 55 or 60 at the end of the year. What is the expected return and risk if 250 shares are bought with 80% borrowed funds? Assume the cost of borrowed funds to be 12%. Ignore commissions and taxes.

(6 x 3= 18 Weightage)

Part-III

Answer any two questions. Each question carries six weightage

15. Briefly explain Efficient Market Hypothesis?
16. What do you mean by portfolio strategy? Compare and contrast active and passive portfolio strategy?
17. A financial analyst is analysing two investment alternatives of X and Y. The estimated rates of return along with its probabilities of occurrences are given below.

Return on Stock X	Return on Stock Y	Probability of Occurrence
22%	5%	0.20
14%	15%	0.60
-4%	25%	0.20

1. Determine each alternative's expected rate of return, variance and standard deviation.
2. Is Y comparatively riskless?
3. If the financial analyst wishes to invest half in X and another half in Y, would it reduce risk? Explain the reason for it.

(2x 6 = 12 Weightage)