

**FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE**  
**Fourth Semester MCOM Degree Examination, March/April 2020**  
**MCOM4B19 – Tax Planning and Management**  
 (2018 Admission onwards)

Time: 3 hours

Max. Weightage :36

**PART A****Answer all questions**

1. What is tax planning?
2. What do you mean by deduction of tax at source?
3. List the cases in which a company is said to be widely- held company.
4. Write a note on “ Mitakshara School”
5. How does income tax influence make or buy decision.
6. Give a briefnoteof deductions available u/s 80IA for firms generating power.

**(6 x 1 = 6 weightage)****PART B****Answer any six questions. Each question carries 3 weightage**

7. Define tax management. Distinguish between tax management and tax evasion,
8. Discuss the cases in which opting of tonnage scheme is prohibited.
9. Income particulars of Mr. Saravanan who is partially disabled for the assessment year 2019-20 consist the following.

Interest on time from a commercial bank	Rs.20,000
Taxable income from a let out property	Rs.50,000
Income from business	Rs.3,47,000
One third share from an AOP	Rs.50,000
Share from the profit of a firm	Rs.42,000

Calculate tax liability Mr. Saravanan for the assessment year 2019-20 and advise him on the tax treatment of all the above mentioned income. His daughter is working as an corporate consultant and has a taxable income of Rs.7,86,0000

10. M/s.Saroja needs a baking machine for its bakery division. They are considering two options. Details of buying and leasing options are given below:

Cost of machine	Rs.20,00,000
Annual depreciation	15%
Interest on loan taken to purchase machine	10%
Repayment of loan	Rs.4,00,000/ annum
Rate of tax applicable	30.9 %
Life of machine	5 years
Residual value	Rs.40,000
Lease rental	Rs.6,00,000 per annum
Cost of capital	10%

As an income tax consultant M/s. Saroja requests you to help them to select the best option.

Present value factor @ 10% :- 0.909, 0.826, 0.751, 0.683, 0.621

11. RDL Ltd. started construction of a Special Economic Zone in Pune during April 2007. In 2008 March Central Government of India notified it as SEZ as per SEZ Act 2005. RDL Ltd. completed the construction in March 2012 and handed over the same to DLF India Ltd. for the operation and maintenance. DLF India Ltd. earned a nominal profit up to the financial year 2016-2017 and thereafter there was a big hike in its earnings. During the financial year 2018-19 company earned Rs.80,30,00,000 as profit. Discuss the tax treatment of the profit earned in 2018-19.

12. Mr. Razaa submits you the following details and requests you to calculate the qualified amount for deduction u/s 80C.

Payment of life insurance premium on own life	Rs.1,950/ Month
Payment of premium for policy on the life of wife	Rs.12,000
Contribution to unrecognized PF	Rs.4,2000
Contribution to PPF	Rs.17,000
Repayment of loan taken to construct own house	Rs.1,17,000
Contribution to family benefit scheme	Rs.8,000
Purchase of NSC (VIII issue)	Rs.17,000
Purchase of ICIC infrastructure bond	Rs.11,000

13. Soya Ltd. (registered in India) submits you the details of its income for the financial year 2018-2019. Compute taxable income for the assessment year 2019-20.

Dividend from an Indian company	Rs.40,000
Short-term capital gain	Rs.55,000
Long-term capital gain	Rs.45,000
Dividend from HustenExpa Ltd. incorporated in USA	Rs.35,000
Business income	Rs.7,80,000

Company deducted following amounts to reach its business income

a) A capital expenditure of Rs.30,000 and revenue expenditure of Rs.8,000 paid in connection with family planning amongst its employees.

b) Donation to Rajeev Gandhi Foundation Rs.17,000

14. Mr. Sadananda, Kartha of an HUF submits you the details of his HUF's income for the financial year 2018-19.

Profit earned from business managed by the HUF	Rs.18,45,000
Income from let out property owned by HUF (computed)	Rs.56,000
Interest on Fixed deposit from a commercial bank	Rs.18,000
Long-term capital gain	Rs.50,000
Short-term capital gain	Rs.38,000
Interest on securities not listed any of the stock exchanges	Rs.20,000 (gross)
Insurance premium paid on life of family members	Rs.36,000
Donation paid for charitable purpose by cheque	Rs.8,000

Compute total income for the assessment year 2019-2020

(6 x 3 = 18 weightage)

### PART C

Answer any two questions. Each question carries 6 weightage

15. What do you mean by tax management? Explain its scope.

16. Give a brief account of deductions available u/s 80G.

17. Dr. Miya Khan is a registered medical practitioner. Following is his income and expenditure statement for the year ending March 2019.

Expenditure	Amount	Income	Amount
Interest on capital	2,000	Consultation fee	3,20,000
House hold expenditure	2,30,000	Visiting fee	2,50,000
Maintenance expenditure of let out property	7,000	Rent received from let out property	90,000
Car purchased	2,50,000	Gain from horse race(gross)	20,000
Personal travelling expenses	14,000	Share in sales proceeds of an ancestral house	34,000
Amount paid to a charitable trust(paid by cheque)	10,000	long-term capital gain	44,000
Income tax paid	20,000	Dividend from domestic company	23,000
Salary paid	37,000	Interest from post office saving bank	10,000
Gift to his daughter	11,000	Gift from father- in- law	12,000
Establishment expenditure	4,000	Bad debt recovered (not allowed earlier)	4,000
Municipal tax on let out property	2,000	Receipt from sale of old surgical equipment	12,000
Life insurance premium	14,000	Interest on fixed deposit	1,30,000
Surplus	2,19,900	(gross)	
<b>Total</b>	<b>8,20,900</b>	<b>Total</b>	<b>8,20,900</b>

Calculate total income of Dr. Miya Khan for the assessment year 2019-20.

(2 x 6 = 12 weightage)

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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE  
Fourth Semester MCOM Degree Examination, March/April 2020  
MCOM4B18 – Strategic Financial Management  
(2018 Admission onwards)

Time: 3 hours

Max. Weightage :36

**PART A**

Answer all questions

1. What do you mean strike price?
2. Write a note on sustainable growth rate?
3. What is sensitivity analysis?
4. Distinguish between horizontal merger and vertical merger?
5. Write a note management buyout?
6. Write a note on risk-return trade off?

(6 x 1 = 6 weightage)

**PART B**

Answer any six questions. Each question carries 3 weightage

7. What is spinoff? Explain the reason for spin off?
8. Explain the various approaches for measuring shareholder value?
9. Discuss the factors influencing the option price?
10. Explain the various factors which influence the dividend decision of a firm?

- 11 A Ltd considering two mutually exclusive projects A and B. You are required to advise the enterprise about the accessibility of the projects the following information

	Project .A	project. B
Cost of the investment {Rs)	50,000	50,000
Forecast Cash inflows per annum for 5 years.		
Optimistic.	30,000	40,000
Most likely.	20,000	20,000
Pessimistic.	15,000.	5,000

The cut-off rate may assumed to be 15%.

- 12 Calculate EVA from the following data for the year ended 31/03/2019 (Rs. in lakhs)

Average debt	50
Average equity	2766
Cost of debt (post tax)	7.72%
Cost of equity	16.7%
Weighted average cost of capital	16.54%
Profit after tax, before exceptional item	1541
Interest after tax	5

13. XLtd.has10, 000 equity shares of 100 each.The market value o f share is 300 per share. It is expected that the firm would pay dividend of 25 per share at the end of the Year.The firm has a new project which.requires an investment of 5, 00,000.The Shareholders expect 20% return. The firm expects a net profit of 3, 00,000 at the end of the year. Prove that dividend payment has no impact on the value of the firm as suggested by MM theory.

Initial investment (Rs)	1, 20,000			
Life of the asset	4 years			
Estimated net annual cash flows				
Year	1	2	3	4
Cash flow	30,000	40,000	60,000	40,000

Compute the internal rate of return and also advise the lessor about the leasing out decision if his expected minimum rate of return is 15%

Year	10%	12%	14%	15%
1	.909	.892	.877	.869
2	.826	.797	.769	.743
3	.751	.711	.674	.657
4	.683	.635	.592	.571

(6 x 3 = 18 weightage)

### PART C

Answer any two questions. Each question carries 6 weightage

What do you mean by takeover? Explain the takeover procedure prescribed by SEBI?

Firm A and B are identical in all respects including risk factors except for debt equity mix. Firm A has issued 10% debentures of rupees 18 lakhs while B has issued only equity. Both the firms earn 20% before interest and taxes. On their total asset of Rs. 30 lakhs.

Assuming a tax rate of 50% and capitalization rate of 15

% for an all-equity company, you are required to compute the value of the two firms

using.

(1) Net income approach

(2) Net operating income approach.

The XYZ Ltd wants to acquire ABC Ltd by exchanging its 1.6 shares for every share of ABC Ltd it anticipates to maintain the existing P/E ratio subsequent to merger also. The relevant financial data are furnished below.

	XYZ Ltd	ABC Ltd
Earnings after tax (EAT) (Rs)	15, 00,000	4, 50,000
Number of equity shares outstanding	3, 00,000	75,000
Market Price per share (MPS) {Rs}.	35	40

- What is the exchange ratio based on market price?
- What is pre-merger EPS and the P/E ratio for each company?
- What was the P/E ratio used in acquiring ABC Ltd?
- What is EPS of XYZ after the acquisition?
- What is the expected market price per share of the merged company?

(2 x 6 = 12 weighta



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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE  
 Fourth Semester MCOM Degree Examination, March/April 2020  
**MCOM4B17 – Cost Management**  
 (2018 Admission onwards)

Time: 3 hours

Max. Weightage :36

**PART A**  
**Answer all questions**

- 1 What is target costing?
- 2 what is a cost driver?
- 3 what is kaizen costing?
- 4 Define operating costing.
- 5 what are co-products?
- 6 what is budgetary control?

(6 x 1 = 6 weightage)

**PART B**  
**Answer any six questions. Each question carries 3 weightage**

- 7 Define cost accounting. Explain the main objectives of cost accounting.
- 8 The standard material required to manufacture one unit of product X is 10 kgs. And standard price per kg. of material is Rs. 25. The cost accounts records however, reveal that 11500 kgs. of materials costing Rs. 2,76,000 were used for manufacturing 1000 units of product X. calculate material variances.
- 9 In process B 75 units of a commodity were transferred from process A at a cost of Rs. 1310. The additional expenses incurred by the process were Rs. 190. 20% of the units entered are normally lost and sold @ Rs. 4 per unit. The output of the process was 70 units. Prepare Process B account and Abnormal Gain Account.
10. Prepare an appropriate cost sheet and calculate the unit cost per passenger km. for the year 2019-20 for a fleet of passenger buses run by a Transport company from the following figures extracted from its books:  
 5 passenger buses costing Rs. 50,000, Rs. 1,20,000 Rs. 45000 Rs. 55000 and 80,000 respectively. Yearly depreciation of vehicles-20% of the cost. Annual repair, maintenance and spare parts 80% of depreciation. Wages of 10 drivers @ Rs. 100 each per month, wages of 20 cleaners @ Rs. 50 each per month. Yearly rate of interest @ 4%

on Capital. Rent of six garages @Rs. 50 each per month. Directors's fees @ Rs. 400 per month, office establishment @ Rs.1000 per month, licence and taxes @ Rs. 1000 every six months, realization by sale of old tyres and tubes @ Rs. 3,200 every six months, 900 passengers were carried over 1600 kms during the year.

- 11 Explain the method of measurement of productivity.
- 12 What are the features of just in time?
- 13 State the importance of product life cycle costing.
- 14 Standard time rate for unit component X are given below:

Std. hour per unit                      15  
 Std. rate per hour                      Rs. 4

Actual data and related information are as follows

Actual production                      1000 units  
 Actual hours                              15,300 hours.  
 Actual rate                                Rs. 3.90 per hour

Calculate labour cost variance, labour efficiency variance and labour rate variance.

(6 x 3 =18 weightage)

### PART B

**Answer any two questions. Each question carries 6 weightage**

- 15 A company manufacturing two products furnishes the following data for a year:

Product	Annual Output	Total Machine hours	Total number of purchase orders	Total number of set ups.
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overheads are as under:

Volume related activity costs    Rs. 5,50,000  
 Set up related costs                      Rs. 8,20,000  
 Purchase related costs                Rs. 6,18,000

You are required to calculate the cost per unit of each product A and B based on:

- a) Traditional method of charging overheads
  - b) Activity based costing method.
- 16 Define strategic cost management. Explain its importance and main applications of strategic cost management.

- 17 From the following details, prepare statement of equivalent production, Statement of cost, Statement of evaluation and process account by following FIFO method.

Opening work-in-progress (2000 units)

Materials (100% complete)	5,000	
Labour (60% complete)	3,000	
Overheads (60% complete)	<u>1,500</u>	9,500
Units introduced into the process	8,000	

There are 2,000 units in progress and the stage of completion is estimated to be :

Material 100% labour 50% Overheads 50%

8,000 units are transferred to the next process:

The process costs for the period are:

Materials Rs. 96,000 ; Labour Rs. 54,600 ; Overheads Rs. 31,200.

(2 x 6 = 12 weightage)

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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE  
Fourth Semester MCOM Degree Examination, March/April 2020  
MCOM4B16 – Financial Derivatives and Risk Management  
(2018 Admission onwards)

Time: 3 hours

Max. Weightage :36

**PART A**  
Answer all questions

1. What do you mean by open interest?
2. What do you mean by intrinsic value of option?
3. What is “in the money” in option?
4. What are non-generic swaps?
5. What is interest rate futures?
6. Define the term “marked to market” (6 x 1 = 6 weightage)

**PART B**  
Answer any six questions. Each question carries 3 weightage

7. Distinguish between hedger and speculator.
8. State and illustrate the cost of carry model of futures pricing.
9. “Future contracts are improved forward contracts” Comment.
10. Explain the steps in trading futures contracts.
11. Under what circumstances a short hedge and long hedge appropriate? Explain with example.
12. Explain the concept of margining. How does it work on option?
13. Distinguish between exchange traded and OTC derivatives.
14. Briefly explain option strategies for hedging (6 x 3 =18 weightage)

**PART C**  
Answer any two questions. Each question carries 6 weightage

15. How is black Scholes model superior to binomial model for valuation of options?
16. Give a description of introduction of derivative trading in India.
17. How futures can be used as a hedging vehicle? How basis risk replaces the price risk by hedging? Explain. (2 x 6 = 12 weightage)