8

1M4M18151 (Pages : 2) Reg. No:.............................

Name: ....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester M.Com Degree Examination, March 2018

MC4C14 – Financial Derivatives and Risk Management

(2016 Admission onwards)

Max. Time: 3 hours Max. Weightage : 36

PART I

Answer all questions, each carries 1 weightage

1. Brief "at the money call options"
2. Name two markets in India where you can buy standardized derivative products
3. What is exercise price?
4 When will you say you have long position in futures contract?
5 What is open interest?
6 What is hedge ratio?

(6 x 1 = 6 Weightage)

PART II

Answer any SIX out of EIGHT 'short essay questions', Each question carries 3 weightage.

7 Narrate and explain the features of forwards and futures contracts

8 Explain the following terms

A) Cost of carry B) Basis Risk C) Price convergence

D) Cash and Physical settlement

9 Explain the various factors that influence the pricing of options

10 Explain how swaps are differ from futures?

11 'Derivatives are said to be weapons of mass destruction', critically analyse the statement?

12 State and explain the advantages of using interest rate swaps in risk management

13 As a bearish market participant, how will you use put bear spread and call bear spread options ?

14 Explain Black Scholes option pricing model, what are their underlying assumptions?

(6 x 3=18 Weightage)

PART III

Answer any **TWO out of THREE** 'essay questions', **each question carries** 6 **weightage**

15 "In a futures market the clearing house bears all the default risks" Evaluate the statement, also narrate the advantage and disadvantages of OTC contracts and exchange traded contracts.

16 Explain the important option strategies used in a bullish market condition.

17 Briefly explain the different types of futures and explain how futures can be used in risk management.

(2 x 6=12 Weightage)

9

1M4M18152 (Pages : 4) Reg. No:.............................

Name: ....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester M.Com Degree Examination, March 2018

MC4C15– Cost Management

(2016 Admission onwards)

Max. Time: 3 hours Max. weightage: 36

PART I

Answer all SIX each carries a weightage of 1

1. What are cost drivers?
2. What is tear-down analysis?
3. What is the purpose of a cost of quality report?
4. What is the effect of equivalent production on unit cost?
5. What is meant by 'differential cost'?
6. How important is 'key factor' in marginal costing?

(6 x 1 = 6 weightage)

PART II

Answer any SIX each carries a weightage of 3

7. Describe how value chain analysis can be used to increase customer satisfaction and manage cost more effectively.
8. What are the goals of a company when it implements JIT in the firm?
9. How can standard costing be used when ABC has been implemented?
10. The following information of Lokesh & Co. is given for the month of December 2017.

    Budgeted sales: Product A 500 units @ Rs.2/- (standard cost Rs.1.75)

    Product B 700 units @ Rs.1.50/- (standard cost Rs.1.30)

    1200units

    Actual sales : Product A 560 units @ Rs.1.95/- per unit

    Product B 710 units @ Rs.1.40/- per unit

    1270units

    Find a) Sales Margin Prime Variance b) Sales Margin Mix Variance c) Sales Margin Quantity Variance d) Total Sales Margin Variance e) Sales Margin Volume Variance

11. Growmore Chemicals Ltd., manufactures three varieties of manures X, Y, & Z by mixing chemical fertilizers in different proportions. Two operations i) mixing and ii) packing are involved. There is no costing system. On technical estimation, relative cost values are fixed on point-basis per weight of output. However, the financial accounts data are segregated into two operations mentioned above. The relevant data for a particular month are as follows.

Varieties	Point values per unit weight		Production
	Mixing	Packing	(Tons)
X	2	5	250
Y	3	3	150
Z	5	2	100
Total cost (Rs)	1,45,000	19,000	

Compute cost per ton of each variety per operation.

12. Following information is given for process A for the month of January.

		units
Opening Stock		3,200
Degree of completion		
Material	70%	
Labour and overhead	60%	
Transferred from previous process		20,400
Transferred to next process		18,400
Units scrapped		1,600
Normal loss is 10% of production		
Closing Stock		3,600
Degree of completion		
Material	60%	
Labour and overhead	40%	

Prepare a statement of equivalent production. It is to be presumed that work is done in the following sequence.

i. First units in opening stock are completed
ii. Newly introduced units are completed
iii. Work is done on closing stock

13. CJD ltd., manufactures plastic components for the car industry. The following budgeted information is available for three of their key plastic components

	W	X	Y
	Rs.per unit	Rs.per unit	Rs.per unit
Selling price	200	183	175
Direct material	50	40	35
Direct labour	30	35	30
Units produced and sold	10,000	15,000	18,000

The total number of activities for each of the three products for the period is as follows:

Number of purchase requisitions	1200	1800	2000
Number of setups	240	260	300

Overhead costs are being analyzed as follows

Receiving /inspecting quality assurance	Rs. 14,00,000
Production scheduling/machine set up	Rs. 12,00,000

Calculate the budgeted profit per unit for each of the three products using activity based budgeting.

14. Mixers Ltd, is engaged in producing a 'standard mix' using 60 kg of chemical X and 40kg of chemical Y. The standard loss of production is 30%. The standard price of X is Rs.5 per kg and of Y is Rs. 10 per kg. The actual mixture and yield were as follows:

X 80kg @ Rs.4.50 per kg

Y 70kg @ Rs.8.00 per kg.

Actual yield 115 kg. calculate the material variances

(6 x 3 = 18 weightage)

PART III

Answer any TWO each carries a weightage of 6

15. The management of a company following the traditional absorption system has taken a decision to design and implement the ABC system of costing. Help them in drafting the steps required to implement the same, explaining the reasons for each step in detail.

16. A lodging home is being run in a small hill station with 50 single rooms. The home offers concessional rates during six off-season months in a year. During this period, half of the full room rent is charged. The management's profit margin is targeted at 20% of the room rent. The following are the cost estimates and the other details for the year ending 31st March 1998 (assume a month to be of 30 days)

a) Occupancy during the season is 80%. While in the off-season it is 40% only.

b) Expenses

		Rs.
i.	Staff salary (excluding room attendants)	2,27,000
ii.	Repairs to buildings	1,30,500
iii.	Laundry and linen	40,000
iv.	Interior and tapestry	87,500
v.	Sundry expenses	95,400

c) Annual depreciation is to be provided for the building at 5% and on furniture and equipment at 15% on straight line basis.

d) Room attendants are paid Rs.5 per room-day on the basis of occupancy of the rooms in a month

e) Monthly lighting charges are Rs.120 per room, except in four months of winter when it is Rs.30 per room and this cost is on the basis of full occupancy for a month; and

f) Total investment in the home is Rs.100 lakhs of which Rs.80 lakhs relate to building and balance for furniture and equipment.

You are required to work out the room rent chargeable per day both during the season and the off-season months on the basis of the foregoing information.

17. A product is completed in three consecutive processes. During a particular month th input to Process I of the basic raw material was 5000 units at Rs.2 per unit. Oth information for the month was as follows:

	Process 1	Process 2	Process 3
Output (units)	4,700	4,300	4,050
Normal loss as % of input	5	10	5
Scrap value per unit (Rs)	1	5	6
Direct wages (Rs)	3,000	5,000	8,000
Direct expenses (Rs)	9,750	9,910	15,560

Overhead Rs.32,000 total, chargeable as percentage of direct wages.

There were no opening or closing work-in-progress stocks. Compile three proc accounts and finished stock account with details of abnormal loss and gain, wh applicable.

(2 x 6 = 12 weighta

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1M4M18154 (Pages : 3) Reg. No:..............................

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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester M.Com Degree Examination, March 2018

MC4E(F)04– Tax Planning and Management

(2016 Admission onwards)

Max. Time: 3 hours Max. Weightage : 36

PART I

Answer all questions

Each question carries one weight

1. Define Tax Planning.
2. What do you mean by MAT?
3. What are the provisions for determining the residential status of a Company?
4. What is tonnage tax?
5. Distinguish between rebate and relief.
6. What is TDS?

(6 x 1= 6 weightage)

PART II

Answer any six questions

Each question carries three weights

7. State how tax planning can be done under make or buying decisions.
8. State any 10 incomes which are neither included in Total Income nor is income tax payable on them.
9. Distinguish between tax planning and tax management.
10. Explain the need for Tax Planning and list out its limitations?
11. The book profit of a Company is computed as Rs 12,00,000 for the Previous Year 2016-17. The total income of the company as per Income tax Rules is Rs. 3,50,000. Compute the tax payable by the Company for the Assessment Year 2017-18.
12. Explain in details the provisions for computing tax payable by company under section 115JB.
13. ABC Ltd, a domestic company, furnishes the following details of its income for the previous year ended 31.3.2017.
    a) Profits of business after deduction of donations to an approved charitable institution Rs 2,50,000.
    b) Donation to a charitable institution by cheque Rs.30,000.

c) Interest on government securities Rs. 10,000.

d) Dividend from a domestic company Rs.60,000.

e) LTCG Rs.50,000.

f) Book profit under section 115JB Rs.8,00,000.

During the financial year 2016-17, the company deposited Rs.15,000 in Industrial Development Bank of India. The company distributed gross dividend of Rs.100,000 on 6.2.2016. Compute the tax payable by the company for the AY 2017-18.

14. Compute the Total Income of Reliance India Ltd for the Previous Year 2016-17 from the Statement of Profit or Loss and additional information noted below:

Particulars	Note No	Amount
I. Revenue from operation		5,00,000
II. Other income		
Interest		10,000
STCG		15,000
III. Total revenue		**5,25,000**
IV. Expenses:		
Cost of materials consumed		Nil
Changes in inventories of fininished goods, work in progress & stock in trade		
Employees benefits expenses		1,00,00
Office rent		10,00
War risk insurance		10,00
Postage & Stationery		10,00
General charges		20,00
Reserve for depreciation		25,00
Provision for income tax 2016-17		2,00,00
Total expenses		**3,75,00**
V. Profit Before tax (III-IV)		**1,50,00**
VI. Tax expenses - income tax for 2015-16		50,00
VII. Profit after tax (V-VI)		**1,00,00**

Additional information:

i. The general charges include Rs 5,000 for advertising, Rs 1,000 for charitable donations, Rs 3,000 paid to a motor car company for exchanging the old car for a new one, and Rs 5,000 for miscellaneous repairs.

ii. The amount of depreciation admissible is Rs 15,000.

iii. The amount of interest is from government securities.

(6 x 3= 18weightage)

Part III

Answer any two Questions.
Each carries six weights.

15. What are the points to be considered while making a lease or buy decision?
16. Describe the provisions of tax planning in respect of employees' remuneration from the employee's point of view.
17. Adithya Ltd depicts a net profit of Rs 4,00,000 during the FY 2016-17. Detailed examination of the accounts of the company shows the following details:
    a) Donation paid to an approved charitable trust Rs.20,000.
    b) Provision for income tax Rs. 1,00,000.
    c) Family planning expenses Rs.25,000.
    d) Capital expenditure on family planning Rs.1,00,000.
    e) Bad debts allowed earlier recovered during the previous year Rs. 10,000.
    f) Interest on bank deposits Rs. 30,000.
    g) LTCG Rs. 1,00,000.
    h) Dividend from a domestic company Rs.20,000.

    There was an unabsorbed depreciation of Rs. 35,000 and unabsorbed capital loss of Rs.40,000 brought forward from the earlier AY.

    Compute the total income of the company for the AY 2017-18.

(2 x 6= 12weightage)

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1M4M18153 (Pages : 2) Reg. No:............................

Name: ....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester M.Com Degree Examination, March 2018

MC4E(F)03– Strategic Financial Management

(2016 Admission onwards)

Max. Time: 3 hours Max. Weightage : 36

Part A

Answer all *six* questions, Each carries 1 Weightage

1. What is share holder value creation?
2. Define financial options.
3. What is double leverage?
4. What is strike price?
5. What is conglomerate merger?
6. What is reverse takeover?

(6 x 1 = 6 Weightage)

Part B

Answer any Six Questions, Each carries Three Weightage

7. Enumerate features of EVA.
8. Explain the reasons for spin-off.
9. What is continuing value? How is it determined?
10. Explain briefly the merger procedure.
11. What is leasing? What are the different types of lease?
12. Explain briefly the irrelevance concept of dividend.
13. Following is the condensed income statement of a firm for the current year.

Particulars	Amount (Rs. Lakh)
Sales Revenue	500
Less: Operating Costs	300
Less: Interest Costs	12
Earnings before taxes	188
Less: Taxes (0.40)	75.2
Earnings after Taxes	112.8

The firms existing capital consists of Rs. 150 lakh equity fund, having 15 per cent cost and of Rs. 100 lakh 12 per cent debt. Determine Economic Value Added during the year.

14. The following information is available in respect of a firm:

Capitalization rate 10%

Earnings per share Rs. 2

Assumed rate of return on investment:

(i) 16% (ii) 8% (iii) 10%

Show the effect of dividend policy on market price of a share using Walter's model at the following payout ratios:

(a) 0% (b) 50% (c) 75% (d) 100% **(6 x 3 = 18 weightage)**

Part C

Answer any Two Questions, Each carries Six Weighatge

15. What do you mean by takeover defences? Discuss various pre and post takeover defences.

16. The manager of a company has formulated various financial plans to finance Rs. 30,00,000 required to implement various capital budgeting projects:

(i) Either equity capital of Rs. 30,00,000 or Rs. 15,00,000 10% debentures and Rs. 15,00,000 equity;

(ii) Either equity capital of Rs. 30,00,000 or 13% preference shares of Rs. 10,00,000 and Rs. 20,00,000 equity;

(iii) Either equity capital of Rs. 30,00,000 or 13% preference capital of Rs. 10,00,000 (subject to dividend tax of 10 per cent), Rs. 10,00,000 10% debentures and Rs.10,00,000 equity.

You are required to determine the indifference point for each financial plan, assuming 35 per cent corporate tax rate and the face value of equity shares as Rs. 100.

17. A firm wants to purchase a machine costing Rs. 6250 lakhs. It can obtain the machinery by taking a loan at 10% repayable in 4 equal installments at the beginning of each year. Annual maintenance cost payable at the beginning of each year is Rs. 400 lakhs. Salvage value of the machine at the end of the 4^{th} year is Rs. 250 lakhs. Depreciation provided on straight line basis and tax rate is 30%.

Alternatively the firm can obtain the asset by annual lease rental of Rs. 2000 lakhs payable at the beginning of each year for 4 years. The annual maintenance cost of 50% to be borne by the lessee.

Advice the firm, that whether it should go for debt financing or lease financing.

PV Factors:

Year	7%	7% Annuity	10%	10% Annuity
1	0.935	0.935	0.909	0.909
2	0.873	1.808	0.826	1.736
3	0.816	2.624	0.751	2.487
4	0.763	3.387	0.683	3.170
5	0.713	4.100	0.621	3.791

(2 x 6 = 12 Weightage)