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Reg. No:.....

Name:

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MCOM Degree Examination, April 2023
MCM4C14 – Financial Derivatives and Risk Management
(2019 Admission onwards)

Time: 3 hours

Max. Weightage : 30

Section A

Answer any four questions. Each question carries 2 Weightage.

1. What is initial margin and variation margin?
2. Explain the different types of carrying costs.
3. What is time value of options?
4. How is an American option valued under Binomial model?
5. What is the rationale behind financial swaps?
6. Distinguish between OTC and Exchange traded derivatives.
7. Define the term risk. What are the different types of market risk?

(4 x 2 = 8 Weightage)

Section B

Answer any four questions. Each question carries 3 Weightage.

8. Describe the role and functions of derivatives market.
9. Calculate the terminal value of investment of Rs 1,50,000 invested for 2 years at the annual interest rate of 14%, assuming continuous compounding of interest.
10. How risk can be hedged using futures?
11. Discuss the different variants of exotic options.
12. Explain briefly the major players in derivatives market.
13. The current value of BSE SENSEX is 49200 points. Consider a 3- month futures contract on the BSE Sensex index. Assume that the dividend yield is estimated to be 3% and the risk free rate is 8%. What will be the price of the futures contract with 3 months' expiry?
14. State the binomial option pricing model clarifying the assumptions.

(4 x 3 = 12 Weightage)

Section C

Answer any two questions. Each question carries 5 Weightage.

15. State with all assumptions, the binomial option pricing model.
16. Explain the role of intermediaries in swap functioning.
17. What do you mean by futures? Describe the mechanism of trading in futures contract.
18. Describe about the regulatory framework of derivative trading in India.

(2 x 5 = 10 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MCOM Degree Examination, April 2023
MCM4C15 – Income Tax Law, Practice and Tax Planning
(2019 Admission onwards)

Time: 3 hours

Max. Weightage : 30

Part A

Answer any four questions.
Each question carries 2 Weightages.

1. Explain the term 'Book Profit' in relation to the assessment of firms.
2. Briefly explain the difference between AOP and BOI.
3. State categories of income of a co-operative society that are deductible in computing its total income.
4. Define a widely-held company.
5. Explain the rates of income tax which are applicable to companies for the AY 2022-23.
6. Write a note on "tax incentives to amalgamated company".
7. From the following information compute total income of the assessee;
 - a. Profit from an undertaking entitled to deduction u/s 80IB @ 100% of profit Rs. 20,00,000
 - b. Loss from another undertaking not entitled to deduction under chapter VIA Rs. 9,00,000
 - c. Interest Income Rs. 10,00,000

(4 x 2 = 8 Weightages)

Part B

Answer any four questions.
Each question carries 3 Weightages.

8. Discuss the provisions of the Income Tax Act regarding the assessment of Co-operative Societies.
9. What are the salient features of assessment of joint stock companies?
10. Describe the conditions for claiming exemption from tax u/s 10AA of the Income Tax Act.

11. A, B and C are partners in a firm with equal shares. The profit and loss account of the firm for the year ended 31st March 2022 is as follows:

Particulars	Amount	Particulars	Amount
To Interest on Capital @ 12%:		By Gross Profit	9,000
A 8,000		By Loss:	
B 7,000		A	1,25,000
C 9,000	24,000	B	1,25,000
To Salary:		C	1,25,000
A 1,20,000			
B 1,20,000			
C 1,20,000	3,60,000		
	3,84,000		3,84,000

Compute book profit and the total income of the firm for the AY 2022-23. The firm fulfils the conditions of Sec. 184

12. From the tax planning point of view determine whether a company should distribute dividends or purchase its own shares from shareholders keeping in view the following details:

- Share capital 1,00,000 shares (listed) of Rs. 10 each
- General reserve Rs. 16,00,000
- Issued shares in 1998 at par.
- Market price of shares on 01.04.2001 Rs. 9.5 each
- The company wants to reduce its general reserve by Rs. 12 lakh either by distributing dividend @ Rs. 12 per share or buying its shares @ Rs. 120 per share.

13. A Co-operative Society derived total income from the following sources:

Income from processing with the aid of power	Rs. 10,000
Income from collective disposal of labour of its members	Rs. 15,000
Interest from another co-operative society	Rs. 30,000
Income from house property	Rs. 20,000
Income from other business	Rs. 10,000

Determine its taxable income and calculate tax.

14. A (a woman aged 70), B (aged 45), and C (aged 35) are members of an Association of Persons sharing profits equally. During the financial year 2021-22. The taxable income of the AOP was Rs. 9,00,000 while the personal incomes of A, B and C were Rs. 90,000, Rs. 1,00,000 and Rs. 1,50,000 respectively. Compute the tax liability of the AOP and the members A, B and C for the AY 2022-23.

(4 x 3= 12 Weightages)

Part C
Answer any two questions.
Each question carries 5 Weightages.

15. From the point of view of tax considerations which one of the following would you prefer and why?

- (i) Payment of dividend or issue of bonus shares
- (ii) Issue of shares or issue of debentures

16. The gross total income of X Ltd. was computed as follows for the PY 2021-22:

- (i) Paper mill's income Rs. 2,80,000
- (ii) Mini cement plant profit Rs. 60,000
- (iii) Profit of new industrial unit situated at HP (Backward industrial state), established in Jan. 2012 Rs. 85,000
- (iv) Export business profit Rs. 2,45,000
- (v) Profit from poultry farming, commenced in Oct 2017 Rs. 1,00,000
- (vi) Long term capital gain Rs. 70,000
- (vii) Income from royalty;
 - (a) Income from P Ltd (Indian Company) for supply of technical know-how Rs. 80,000
 - (b) Q Ltd (foreign company) for supply of technical know-how Rs. 90,000
- (viii) Profit of hotel Rs. 70,000
- (ix) Profit of Small Scale Industry Rs. 50,000
- (x) Loss of steel plant Rs. 90,000
- (xi) Dividend from non-domestic Company Rs. 75,000

Compute company's total income and gross tax liability. Company donated by cheque Rs. 40,000 to PM National Relief Fund and Rs. 90,000 to M.P. Govt. for Family Planning.

17. From the following information compute the amount of tax liability of a partnership firm for the AY 2022-23:

Income from House Property (Computed)	Rs. 2,00,000
Income from Business	Rs. 40,00,000
LTCG on sale of an asset	Rs. 1,00,000
Income from other sources	Rs. 50,000

The firm is entitled to the following deductions from its gross total income:

- 1. Under Sec. 80IA Rs. 20,00,000
- 2. Under Sec. 80IB Rs. 3,50,000

18. Briefly explain about the tax provisions in respect of backward areas.

(2 x 5 = 10 Weightages)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MCOM Degree Examination, April 2023
MCM4EF03 – International Finance
(2019 Admission onwards)

Time: 3 hours

Max. Weightage : 30

Section-A**Answer any four questions. Each question carries 2 weightages**

- 1 What is international investment decision?
- 2 What are currency swaps?
- 3 What is working capital management?
4. Distinguish between spot and forward rates?
5. What is exchange rate risk
6. What is IMS?
7. What is FPI?

(4x2 = 8 weightage)

Section-B**Answer any four of the questions. Each question carries 3 Weightage**

8. Explain the SWIFT mechanism and its significance in international financial transactions?
9. What do you mean by Full convertibility of the Indian rupee?
- 10 Discuss the objectives of the International Financial Corporation?
- 11 Explain the various models that determine Foreign Exchange rates?
12. What is the Management of transaction exposure?
- 13 What are the different types of foreign investment?
14. Explain interest rate parity theory?

(4x3 = 12 weightage)

Section C**Answer any two questions. Each question carries 5 weightages.**

15. Define international capital budgeting and explain its significance in global finance?
- 16 What is international financial market? Describe the important international money market and capital market instruments?
- 17 Explain the conditionality's of IMF lending, and discuss their implications for borrowing countries?
- 18 What are the types of foreign Exchange exposure and how it can be managed?

(2x 5 = 10 weightage)

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Reg. No:.....

Name:

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MCOM Degree Examination, April 2023
MCM4EF04 – Advanced Strategic Financial Management
(2019 Admission onwards)

Time: 3 hours

Max. Weightage : 30

Section A

Answer any four questions. Each question carries two weightage

1. What is economic value added?
2. What is financial leverage?
3. State the features of leveraged buyouts.
4. The data relating to a company is given below. calculate the NOPAT

Sales	Rs 30,000
Sales return	Rs 4,000
SG&A expenses	Rs 4,000
Depreciation	Rs 1,500
Other operating expenses	Rs 1,000
Income tax	50%
5. A firm sells 80,000 units of a product. The selling price per unit is Rs 8 and the variable cost per unit is Rs 2. Fixed cost of the year amounted to Rs 3, 30,000. Calculate the operating leverage.
6. Distinguish between IGR and SGR.
7. What you mean by diluted shares? (4 x 2=8 Weightage)

Section B

Answer any four questions. Each question carries three weightage

8. From the following information calculate the market value added (MVA)

Equity share capital 2, 00,000 shares at Rs 5 each.

Market value of share is Rs 10 per share.

Retained earnings Rs 1, 00,000
9. Explain the significance of MM model of dividend.
10. Explain the impact of merger and acquisition in corporate world.

11. From the following information determine the market value of equity shares of the company.

Earnings of the company Rs 2, 50,000

Dividend paid Rs 1, 5, 0000

Number of shares outstanding Rs 50,000

Price earnings ratio 8

Rate of return on investment 15%

Are you satisfied with the current dividend policy of the firm? If not what should be the optimal dividend payout ratio?

12. There are two firms X and Y. Which are exactly identical except that X does not use any debt in its financing, while Y has Rs 4, 00,000, 10% debt in its financing. Both the firms have EBIT of Rs 3, 20,000 and the after tax capitalization rate is 16%. Assuming the corporate tax 50%. Calculate the value of the firm according to MM hypothesis.

13. Explain the various theories associated with merger?

14. Explain briefly the take over regulations of SEBI.

(4 x 3 = 12 Weightage)

Section C

Answer any two questions. Each question carries five weightage

15. From the following prepare income statement of A, B and C. also comments on each firms performance.

	<u>Firm A</u>	<u>Firm B</u>	<u>Firm C</u>
Financial leverage	3:1	4:1	2:1
Interest	Rs 200	Rs 300	Rs 1,000
Operating leverage	4:1	5:1	3:1
Variable cost as a percentage of sales	66.67%	75%	50%
Income tax	45%	45%	45%

16. Define merger. Explain the procedure of merger.

17. What is leasing? State the types and advantages of leasing.

18. A limited wants to acquire B limited by exchanging 0.5 of its shares for each of B limited. The relevant financial details are given below.

	<u>A limited</u>	<u>B limited</u>
EAT	Rs 8, 00,000	Rs 3, 60,000
Equity shares outstanding	Rs 6, 00,000	Rs1, 80,000
EPS	Rs 3	Rs 2
Market price per share	Rs 30	Rs14
P/E ratio	10	7

- What is the number of equity shares required?
- What is EPS of A limited after acquisition?
- What is the expected MP of A limited after the acquisition assuming its P/E ratio remain the same?
- Determine the market value of the merged firm.

(2 x 5=10Weightage)