

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MCOM Degree Examination, April 2024
MCM4C15 – Income Tax Law, Practice & Tax Planning

(2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

Section A

Answer any four questions. Each question carries two weightage.

1. Distinguish between an AOP and a BOL.
2. Explain the tonnage tax scheme of shipping companies.
3. Differentiate between public and private trusts.
4. From the point of view of tax considerations which one do you prefer, payment of dividend or issue of bonus shares. Why?
5. What are tax planning provisions regarding 'own or lease' of an asset?
6. What is section 80 P of Income tax Act.
7. From the following information compute tax payable by Z Ltd for the AY 2023-24. The gross turnover of the company for the Previous Year was ₹ 42,00,000.

a) Total income of the company for the PY 2022-23	₹ 6,00,000.
b) Book profit u/s 115JB for the PY 2022-23	₹ 8,00,000
c) Carried forward credit u/s 115 JAA from PY 2021-22	₹ 1,50,000

(4 x 2 = 8 Weightage)

Section B

Answer any four Questions. Each question carries three Weightage

8. What are the special income tax provisions applicable to Special Economic Zones, explain.
9. What are the necessary adjustments to be made to Net profit of a Company to covert it into Book profit for computation of Minimum Alternative Tax?
10. Distinguish between firms assessed u/s 184 and firms assessed u/s 185 ?
11. A and B want to set-up a business. They have two options for selecting a form of business organisation. On the basis of following information suggest whether they should form a Partnership or Company.

a) Estimated total income of the company	₹ 25,00,000.
b) Estimated book profit u/s 115JB,	₹ 40,00,000.
c) Estimated total income of firm after deducting ₹ 32,00,000 u/s 10AA regarding newly established unit in SEZ	₹ 28,00,000.

Assume that company is liable to pay income tax @ 25% + Surcharge + Health and Education cess.

12. The income of a co-operative society for the previous year 2022-23 is as under:
- a) Income from other Business ₹ 5,000.
 - b) Income from processing the agricultural produce of its members (without the aid of power) ₹ 6,000.
 - c) Income from fishing and allied activities ₹ 4,000.
 - d) Income from interest on securities (gross) ₹ 2,500.
 - e) Income from house property (computed) ₹ 2,300.

Compute total income and tax liability of the co-operative society.

13. From the following information compute the total income and tax liability of a charitable organization for the assessment year 2023-24.
- a) Income from property held for charitable purposes ₹ 10 lakh.
 - b) Voluntary donations for corpus of the trust ₹ 50 lakh.
 - c) Other voluntary donations ₹ 30 lakh.
 - d) Anonymous donations ₹ 25 lakh.
 - e) Amount spent for charitable purposes in India ₹ 20 lakh.
 - f) Set apart for use in future for charitable purposes (conditions fulfilled) ₹ 4 lakh.
14. Mr. M (a senior citizen) and Mr. N are members of an AOP sharing profits and losses equally. During the year ending 31st March 2023, total income of AOP was ₹ 2,10,000. The details of individual incomes of its members are given below:

Mr. M (Age 64):

- a) Interest on fixed deposit ₹ 48,000.
- b) Long-term Capital Gain ₹ 60,000.
- c) Income from business ₹ 55,000.

Mr. N

- a) Income from salary (computed) ₹ 1,80,000
- b) Interest on government securities ₹ 10,000
- c) Interest on post office savings bank account ₹ 10,000.

Compute tax liability of AOP and its members.

(4 x 3 = 12 weightage)

Section C

Answer any two Questions. Each question carries Five Weightage

- 15. Discuss the considerable points regarding capital structure decision for minimum tax liability for a Company.
- 16. What are managerial decisions? Explain the tax planning in respect of sale of assets, replace and renovation.

17. The following is the Profit and Loss Account of XYZ, a partnership firm fulfilling the conditions of Sec 184, with two equal partners, A and B for the year ended 31st March 2023.

Profit and Loss Account.

To salary	35,000	By Gross profit	2,00,000
To general charges	3,000	By Net loss	19,000
To entertainment expenses	15,000		
To rent and rates	7,000		
To electricity charges	3,000		
To telephone expenses	8,000		
To income tax penalty	1,000		
To income tax	12,000		
To interest on loan paid to the			
Wife of a partner	4,000		
To bad debt reserve	1,000		
To depreciation on car @ 15%	20,000		
To interest on capital of ₹ 80,000 each:			
A	12,000		
B	<u>12,000</u>	24,000	
To salary and Bonus			
A	46,000		
B	<u>40,000</u>	<u>86,000</u>	
		<u>2,19,000</u>	<u>2,19,000</u>

Additional information:

- B paid ₹ 2,000 as interest on money borrowed for investment as capital in the firm.
 - Car was purchased on 6th October, 2022
- Compute firm's book profit, total income and tax liability.

18. The gross total income of Star Ltd was computed as under for the previous year 2022-23:
- Income from paper mill ₹ 2,80,000.
 - Profit from cement plant ₹ 60,000.
 - Profit from new industrial undertaking in backward industrial state Sikkim, (established in the year 2020) ₹ 97,000.
 - Profit from steel business ₹ 2,55,000.
 - Long term capital gain u/s 112A ₹ 2,00,000.

- f) Rent received from house property ₹ 2,40,000.
- g) Royalty received from Indian company for supply of technical know-how ₹ 80,000.
- h) Profit from small scale business established in the year 2005, ₹ 2,30,000.
- i) Loss from copper business ₹ 85,000.
- j) Dividend from domestic company ₹ 75,000.

Compute company's total income and tax liability. Company donated by cheque ₹ 40,000 to P.M National Relief Fund and ₹.30,000 to a Kerala Government for family planning. The company had also contributed ₹ 50,000 to a political party by cheque during the previous year.

(2 x 5 = 10 weightage)

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Reg. No:.....

Name:

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MCOM Degree Examination, April 2024
MCM4EF03 – International Finance
 (2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

Section – A

Answer any four questions. Each question carries 2 weightage.

1. What is cross rate?
2. Define interest rate parity.
3. What is exchange rate equilibrium ?
4. What is GDR?
5. The spot exchange rate is 0.75 CHF/USD. The six-month forward premium is 2%.
Calculate the six-month forward rate.
6. What is transaction exposure?
7. Define exchange rate forecasting.

(4 x 2 = 8 weightage)

Section – B

Answer any four questions. Each question carries 3 weightage.

8. Differentiate between Forward market and Future market.
9. Compare the New York and Indian money markets in terms of key features and functions.
10. Explain the role of Asset Market Model in exchange rate determination.
11. Briefly explain the main components of working capital.
12. What are the factors affecting the foreign exchange forecasting?
13. From the following details, calculate arbitrage possibilities
 Spot rate ₹35.0020 = \$
 6 months forward rate ₹35.910 = \$
 Annualized interest rate on 6-month rupee = 12%
 Annualized interest rate on 6-month Dollar = 7%
14. The spot rate for AUD/USD is 0.70, and the one-year forward premium is 4%.
Calculate the one-year forward rate and check if it aligns with the calculated rate using the spot rate and premium.

(4 x 3 = 12 weightage)

Section – C

Answer any two questions. Each question carries 5 weightage.

15. Discuss the objectives and role of the International Monetary Fund (IMF) in maintaining international liquidity. Include a brief explanation of conditionality in IMF lending.
16. Analyze the recent trends in the exchange rate of the Indian Rupee. Highlight any significant factors influencing these trends.
17. Explore the considerations and challenges associated with foreign direct investment (FDI) for multinational corporations.
18. Explain the role and significance of various participants involved in foreign exchange market in ensuring market efficiency.

(2 x 5 = 10 weightage)

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Reg. No:.....

Name:

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MCOM Degree Examination, April 2024
MCM4EF04 – Advanced Strategic Financial Management
(2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

Section A

Answer any four questions.
Each question carries two weightage

1. What is cross boarder lease?
2. What is distress restructuring strategy ?
3. Distinguish between spin off and spin out.
4. Define the concept of market value added.
5. Sales Rs. 1,80,000

Cost of goods sold Rs. 80,000

Depreciation & amortization Rs.85,000

Income tax @ 30%

Calculate NOPAT

6. State the features of EVA.
7. What is market to book value?

(4*2=8Weightage)

Section B
Answer any four questions.
Each question carries three weightage

8. 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 OL. And DOL, if it sells (a) 96,000 units, (b) 64,000 units.
9. State the factors influencing the dividend decision of a firm.
10. Explain the various theories of merger.
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 1,50,000
Number of shares outstanding 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. Distinguish between operating lease and financial lease.
14. What do you mean by takeover defenses ?

(4*3=12Weightage)

Section C

Answer any two questions.

Each question carries five weightage

15. X Ltd. Has 15,000 equity shares outstanding as on the date. Currently shares of the company is being traded at a price of Rs 125 per share. It is expected that the firm would pay dividend of Rs 5 per shares in the next year. The firm has project in hand requiring new investment of Rs 5, 00,000. The shareholders expected rate of return is 12% and the firm expected to have net profit of Rs 2, 50,000 at the end of the year. Illustrate MM approach that payment of dividend has no impact on the value of the firm.
16. Explain different types of corporate takeovers pursued in India.
17. Define capital structure. State various determinants of capital structure.
18. The following information is given for 3 companies that are identical except their capital structure.

	Orange	Grape	Apple
Total invested capital (Rs)	1,00,000	1,00,000	1,00,000
Debt assets ratio	0.80	0.50	0.20
Shares outstanding	6,100	8,300	10,000
Pre-tax cost of debt	16%	13%	15%
Cost of equity	26%	22%	20%
Operating income(EBIT) (Rs)	25,000	25,000	25,000
Net income (Rs)	8,970	12,350	14,950
Tax rate	35%	35%	35%

- a. Compute the weighted average cost of capital for each company.
- b. Compute the economic value added (EVA), for each company.
- c. Based on the EVA, which company would be considered the best investment? Give reasons.

(2x5 = 10 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MCOM Degree Examination, April 2024
MCM4C14 – Financial Derivatives and Risk Management
 (2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

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

1. What do you mean by naked call?
2. What is hedging?
3. Define LEAPS.
4. Define interest rate futures.
5. What is pay-off?
6. What is In-The-Money option ?
7. Define swap derivatives.

(4 x 2 =8 Weightage)**Section-B****Answer any four questions. Each question carries 3 weightage.**

8. Discuss the process of interest rate swap.
9. Briefly explain the major players in the derivative market.
10. Explain the convergence of spot price and futures price.
11. Explain put option with the help of an example.
12. What are the taxation aspects of swaps?
13. What are the measures taken by SEBI for protecting the investors in the derivative market?
14. What is bear vertical spread? List its features.

(4 x 3 =12 Weightage)**Section-C****Answer any Two questions. Each question carries 5 weightage.**

15. Discuss risk-return profile of option contract.
16. Define option price. Explain the two components of option price. What are the factors affecting option price?
17. Explain currency swap with example,
18. "In order for a derivative market to function, two types of economic agents are needed- hedgers and speculators"- Explain

(2 x 5 =10 Weightage)