

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MCOM Degree Examination, April 2025
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 covered interest arbitrage?
2. Discuss capital account convertibility.
3. What is relative purchasing power parity?
4. What is International Fisher effect?
5. Define international money market.
6. What is country risk analysis?
7. You are given the following exchange rates:
1 US dollar = 87.13 INR and 1 Turkish Lira = 0.027 US dollar
Find out the cross rate between Indian rupee (INR) and Turkish Lira.

(4 x 2= 8 weightage)

Section-B

Answer any four of the questions. Each question carries 3 Weightage

8. Explain the importance of International Finance.
9. Explain the role of IMF in maintaining global financial stability.
10. What are the recent changes in global financial markets?
11. What are the objectives of international development association?
12. What are the various methods of foreign currency translation?
13. The bid-ask spread for USD/INR is 80.10/80.60, and for USD/EUR is 1.05/1.08.
Calculate the EUR/INR cross rate.
14. In January 2020, the one year interest rate is 4% on Deutschmark and 6% on pound sterling. The sport exchange rate is £ 0.4322/USD. If the future sport rate is likely to rise to 0.4700, what would happen to the UK interest rate?

(4 x 3 = 12 weightage)

Section C

Answer any two questions. Each question carries 5 weightage.

15. Define Bretton Woods exchange rate system. What are the reasons for the collapse of Bretton Woods System?
16. What is international financial market? Describe the important international money market and capital market instruments?
17. What are the problems associated with international capital budgeting?
18. Write a note on international monetary and financial environment.

(2 x 5 = 10 weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
 Fourth Semester MCOM Degree Examination, April 2025
 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 share holder value creation?
2. What is financial option?
3. The data relating to a company is given below. calculate the NOPAT

Sales	Rs 15,000
Sales return	Rs 2,000
SG&A expenses	Rs 2,000
Depreciation	Rs 750
Other operating expenses	Rs 500
Income tax	50%
4. Distinguish between buying and leasing.
5. Define financial lease.
6. What is swap ratio?
7. Give any two reasons for spin-off.

(4 x 2 = 8Weightage)

Section B

Answer any four questions.

Each question carries three weightage

8. A Ltd. has the following capital structure: Equity share capital (of Rs. 100 each) Rs. 1,00,000, 10% Preference share capital (of Rs. 100 each) Rs. 2,00,000, 10% debentures (of Rs. 100 each) 2,00,000. If EBIT is : (i) Rs. 1,00,000 ; (ii) Rs. 80,000 ; and (iii) Rs. 1,20,000
 Calculate financial leverage under three situations. Assume 50% tax rate
9. Enumerate the features of EVA.
10. Explain the various theories of merger.
11. 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 8, 00,000, 10% debt in its financing. Both the firms have EBIT of Rs 6, 40,000 and the after tax capitalization rate is 16%. Assuming the corporate tax 50%. Calculate the value of the firm according to MM hypothesis.

12. Distinguish between operating lease and financial lease.
13. Critically examine the MM theory of dividend.
14. From the following information determine the market value of equity shares of the company.

Earnings of the company Rs 5, 00,000

Dividend paid Rs 3, 00, 000

Number of shares outstanding Rs 1, 00, 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? (4 x 3=12Weightage)

Section C

Answer any two questions.

Each question carries five weightage

15. A firm purchases an asset with a life span of five years worth Rs. 20,000 after which its salvage value is Rs. 4,000. Purchasing the asset will increase the firm's expected revenues by Rs. 15,000 per year. It will raise its expected operating expenses (excluding depreciation) by Rs. 7,000 per year. The firm provides depreciation on straight line method, its corporate tax is 40% and the cost of capital of the firm is 15%. The other option for the firm is to lease the asset for a yearly rental of Rs. 8,000. The incremental revenue will be the same at Rs. 15,000 per year and the increase in firm's expected expenses is Rs. 7,000 per year.

You are required to evaluate the proposals and suggest whether to buy or lease the asset.

16. Explain the various models on dividend policies.
17. Define merger. Discuss different types of mergers and acquisition.
18. Following information is provided relating to acquiring company Mani Ltd. and the target company Ratnam Ltd.

	Mani Ltd.	Ratnam Ltd.
Earnings after tax (lakhs)	1000	2,000
No. of shares outstanding (lakhs)	100	500
P/E Ratio (no. of times)	10	5

Required:

- (i) What is the swap ratio based on current market prices?
- (ii) What is the EPS of Mani Ltd. after acquisition?
- (iii) What is the expected market price per share of Mani Ltd. after the acquisition, assuming its PE ratio is adversely affected by 10%?
- (iv) Determine the market value of the merged co.
- (v) Calculate gain/loss to the shareholders of the two independent entities.

(2x5 = 10 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MCOM Degree Examination, April 2025

MCM4C14 – Financial Derivatives and Risk Management

(2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

Section A

Answer any four questions. Each question carries two weightage.

1. Explain risk management.
2. What is a margin call in futures trading?
3. What is the difference between a call option and a put option?
4. A company enters into a forward contract to buy 1,00,000 units of a commodity at Rs.50 per unit in 6 months. If the spot price at maturity is Rs. 55, calculate profit/loss from the contract.
5. What do you mean by moneyness of the options?
6. What is Credit Default Swap (CDS) ?

(4 x 2 = 8 Weightage)

Section B

Answer any four Questions. Each question carries three Weightage

7. Explain the types of risk management instruments
8. What is Value-at-Risk (VaR) and how it is calculated?
9. A call option on ITC.Ltd has strike price of Rs.850 are priced at Rs.80. the current Stock price is Rs.800.
 - A) Calculate Intrinsic Value and Time Value of the option contract.
 - B) When the stock price rises to Rs.1020, calculate Profit/Loss from the contract
10. Explain the determinants of option pricing.
11. Give a brief account of Interest Rate Swap contract with example.
12. Describe the settlement process of a futures contract
13. Explain margin system in futures contract.

(4 x 3 = 12 weightage)

Section C

Answer any two Questions. Each question carries Five Weightage

14. "Derivatives are essential in Risk Management" Discuss the Statement with examples.
15. Discuss the differences between Hedging and Speculation in futures Markets. Provide examples how companies and individuals can use futures contracts for hedging and speculating purposes.
16. Explain Binomial Option Pricing Model with Examples
17. Illustrate the Mechanism of Currency Swap

.(2 x 5 = 10 weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MCOM Degree Examination, April 2025
MCM4C15 – Income Tax Law, Practice and Tax Planning II
(2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

Section A

Answer any four questions. Each question carries two weightage.

1. Who can be a partner in a partnership firm?
2. What is Alternative Minimum Tax?
3. What are the incentives available under the income tax Act for the promotion of exports?
4. Who is a working partner of a firm? What are the income tax benefits of working partner?
5. Who is the principal officer of a company?
6. What are the income tax provisions under section 80P of the Income Tax Act.
7. What are the tax planning points related to make or buy decision?

(4 x 2 = 8 Weightage)

Section B

Answer any four Questions. Each question carries three Weightage

8. What do you mean by capital mix? What are the different alternatives available to a company for making a favourable mix?
9. What are the income tax provisions regarding the following items while computing total income of partners, of a partnership firm assessed under section 184.
 - a. Remuneration as per 40(b).
 - b. Interest received.
 - c. Rent of building owned by the partner.
10. Which business form is beneficial for income tax purposes? Discuss with examples

11. For the AY 2024-25, the Farook Co-operative society derived total income from the following sources:
- Rent from house property ₹ 24,000
 - Income from collective disposal of labour of its members ₹ 17,000.
 - Profit from cottage business ₹ 12,000.
 - Income from another co-operative society (Gross) ₹ 30,000.
 - Income from other business ₹ 10,000.
 - Long term capital gains ₹ 4,000.

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

12. From the following information compute total income and tax liability of a charitable institution for the assessment year 2024-25.
- Income of the trust ₹ 11,50,000.
 - Corpus donations ₹ 8,15,000.
 - Other voluntary donations ₹ 3,40,000.
 - Anonymous donations ₹ 4,15,000.
 - Spent for charitable purposes in India ₹ 9,87,000.
13. X Ltd is a domestic company, has two businesses A and B. For the last two years business A has been running at a loss wiping out the entire profits of business B. At the end of the Financial Year 2023-24 there are brought forward losses of ₹ 8,00,000 and unabsorbed depreciation of ₹ 5,00,000. In the financial year 2023-24 onwards it is expected that business B will earn a profit of ₹ 5,00,000 annually and if Business A is continued at a minimum level there will be an annual loss of ₹ 1,00,000 and effective rate of tax will be 25.9%. Please suggest the management of the company:
- whether business A should be continued or shut down.
 - if continued for how many years?

14. Decide which one is better alternative, lease or buy, in the following situations.

Cost of capital 12%

Tax rate 26%

Depreciation rate (income tax) 15%

Lease rent ₹ 32,000 per annum for 5 years (per 1 lakh)

PV factor @ 12%, year 1 = 0.893, year 2 = 0.797, year 3 = 0.712, year 4 = 0.636,
year 5 = 0.567

Cost of the asset is Rs 1,00,000

It is sold for Rs. 5000/- at the end of 5 years period. STCL is set off against STCG at the end for 5 years period.

(4 x 3 = 12 weightage)

Section C

Answer any two Questions. Each question carries Five Weightage

15. What are the necessary adjustments to be made to net profit of the company to convert it into Book profit for computation of Minimum Alternative Tax? Also explain the provisions regarding tax credit in respect of MAT.
16. What is the tax planning points to be considered while setting up a new industrial undertaking, explain.
17. A firm with A, B and C are equal partners, furnished the following information for the previous year 2023-24:
- | | ₹ |
|---|----------|
| a) Profit from business after debiting remuneration to partners | 2,00,000 |
| b) Long-term capital gains | 1,00,000 |
| c) Interest on Bank deposit | 50,000 |
| d) Remuneration to partners | 1,80,000 |
| e) Unabsorbed depreciation | 30,000 |
| f) Brought forward business loss | 2,00,000 |
| g) Capital gains invested in specific assets | 30,000 |
| h) Amount deposited in Capital gains accounts scheme 1988 | 30,000 |

Compute the total income and tax liability of the firm.

18. XYZ Co Ltd has provided the following information for the year ended 31.03.2024.
- Total income computed as per the provisions of the Income Tax act ₹ 20,00,000.
 - Profit as per Profit and Loss Account ₹ 50,00,000.
 - (A) Items deducted in statement of Profit and Loss
 - Provisions for income tax ₹ 6,50,000
 - General reserve ₹ 40,000
 - Provision for deferred tax ₹ 60,000
 - Provision for gratuity on actuarial basis ₹ 1,50,000
 - Dividend declared ₹ 2,50,000
 - Expenditure to earn agricultural income. ₹ 1,00,000
 - Depreciation (including ₹ 2,00,000 on revaluation of assets) ₹ 4,50,000
 - (B) items added in Statement of Profit and Loss
 - Transfer from special reserve ₹ 2,00,000
 - Agricultural income ₹ 4,00,000
 - Brought forward business loss as per Books of accounts ₹ 8,00,000.
 - Brought forward depreciation as per Books of accounts ₹ 7,00,000.

Compute tax payable by the company and tax credit to be carried forward, if any.

(2 x 5 = 10 weightage)