FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Third Semester M.Com Degree Examination, November 2016

MC3C13 - Income Tax Law and Practice

(2015 Admission onwards)

Max. Time: 3 hours   Max. Weightage: 36

PART A

Answer all questions

Each question carries one weight

1.   What is bond washing transaction?
2.   What do you mean by 'Assessee in Default'?
3.   What is Minimum Alternative Tax?
4.   Briefly explain rebate and relief of tax.
5.   State the provisions regarding set off of capital losses.
6.   What is incidence of tax?

(6 X 1= 6weights)

PART B

Answer any six questions

Each question carries three weights

7.   Explain the provisions regarding the assessment of unrealized rent and realization of unrealized rent.

8.   Enumerate the deductions that are expressly allowed in computing the income from business.

9.   Suggest a scheme for remuneration to employees which is beneficial to both the company and employees from Income tax point of view.

10.   Mr Muraleedharan was retired as a general manager of a company on 01.12.2015 after 25 years of service. On 01.01.2015, his salary was Rs 6000 p. m. As per the Rules of the Company, two months' leave accrued every year. If he availed 10 months leave during the service and received Rs 2,40,000 as encashment of earned leave, compute the amount exempt regarding encashment of earned leave.

11.   Compute the total income and tax payable of Mr Rajeev, 75 years old and disabled for the AY 2016 -17:

Computed income from house property	100,000
Income from business	10,00,000
Short term capital gain	15,000
Long term capital gain	(-)40,000
Bank interest on savings bank account	15,000

12.   The WDV of a block of assets in production department comprising five machines on 01.04.2015 is Rs. 12, 00,000. A new machine of the same block is acquired on 15.12.2015 for Rs 2, 00,000. On 24.01.2016, all the five machines were sold for Rs 50,000 leaving only the newly acquired machine in the block. The rate of depreciation allowable is 15%. Compute the Depreciation allowance for the AY 2016-17.

13. Mr Krishnakumar furnishes the following details of his income. Compute his tax liability for the AY 2016-17:
    a. Income under the head salary 5,44,000
    b. Interest on listed securities 3,000
    c. Interest on Government securities 5,000
    d. Interest paid on loan paid to purchase Government securities 1,000
    e. Income from house property 30,000
    f. Long term capital gain 70,000
    g. Short term capital loss 10,000
    h. Dividend from Indian company 4000
    i. Income from mutual fund 7,000
    j. Agricultural income 20,000
    k. Brought forward agricultural loss 25,000
    l. Life insurance premium paid 13,000. Value of the policy is Rs 60,000(Policy taken before 1.4.2012).
    m. Donation to National children's Fund 5,000
    n. Contribution to unrecognized provident fund 3,000
    o. Amount deposited in Public provident Fund 30,000.

14. Compute the tax payable by a tonnage tax company for the AY 2016-17:
    a. The company has two qualifying ships. The net tonnage of ship I is 27,749 ton 400 Kg and ship II 16,750 ton 500Kg.
    b. Ship I runs for 365 days during the previous year and ship II for 150 days during the previous year.
    c. Turnover of core activities Rs 20 Crore.
    d. Profit from incidental activities Rs 5,50,000.

15. Reliance India Limited furnishes the following details of income for the year ended March 31 2016:
    a. Profit from business 4,20,000
    b. Dividend from a domestic public sector company (gross) 10,000
    c. Dividend from an Indian company whose 80% income is agricultural income (gross) 9,000
    d. Income from mutual fund (gross) 5,000
    e. Royalty received from a foreign concern for providing technical knowledge 16,000
    f. Fee from an Indian company for technical advice 12,000
    g. Dividend from a foreign company 8,000
    h. Donation to National Rural Development Fund 8,800

    The book profit of the company u/s 115JB is Rs 7, 00,000. Compute the tax liability of the company for the AY 2016-17.

    (6 X 3= 18weights)

Part C
Answer any two Questions.
Each carries six weights.

Crompton India Ltd is an Indian company which has a net profit of Rs 10, 25,000 for the year ended 31.03.2016. the net profit included the following debits to the profit and Loss Account:

a. Dividend amounting to Rs 2, 00,000 paid to the share holders for the accounting year 2014-15 in August 2015.

b. Interest amounting to Rs 20,000 paid on the loan taken to for the payment of company's income tax liability.

c. Interest amounting to Rs 10,000 paid on the loan taken to make donation to an approved charitable institution.

d. An amount of Rs 50,000 spent by the managing director on his visit to:

i. USA to buy machinery and finalize a collaboration agreement for a new independent undertaking proposed to be set up Rs 20,000.

ii. UK to study export market for textiles Rs 30,000

e. MD's wife accompanied her husband, Rs 10,000 was contributed by the company towards her foreign trip expenses and the American Collaborator paid Rs 15,000 to her towards expenses.

f. Company incurred expenditure of Rs 1,00,000 as follows:

i. Advertisement in newspapers Rs 75,000

ii. Advertisement in souvenir of a political party paid by cheque 25,000.

g. Paid Rs 10,000 to the legal advisers in respect of proceedings before income tax authorities.

h. Penalty of Rs 24,000 for importing materials in contravention of import Rules.

The company has paid advance tax of Rs 3, 50,000.
Compute the tax liability of the Company for the AY 2016-17.
Explain the need for Tax Planning. What are the precautions to be taken in Tax planning?

Following is the Profit and Loss Account of a partnership firm which fulfils the conditions of section 184, for the year ended 31.03.2016. Compute the Total Income and Tax payable by the firm for the AY 2016-17.

Particulars	Amount	Particulars	Amount
Rent Rates & Taxes	21,750	Gross profit	1,44,000
Expenses of Car	13,500	Commission	7,500
Entertainment expenses	4,500	Income Tax refund	11,550
Salaries	54,000	Excise suspense received back	3,750
Electricity & Water	3,300	Scrap sales	7,500
Repairs	9,000	Short term capital gain	22,500
Trade Expenses	9,750		
Depreciation	12,000		
Legal Expenses	5,250		
Net profit	63,750		
Total	**1,96,800**	**Total**	**1,96,800**

Additional information:

i. Salaries include Rs 23,400 paid to Managing Partners.

ii. Rent includes Rs 9,000 paid to a partner for the premises occupied by the firm.

iii. Rates & taxes include municipal taxes paid Rs 1,500 on the premises of the partner, to be borne by him.

iv. Repairs include cost of electric motor replaced at a cost of Rs 4,500.

v. Trade expenses include Rs 2,250 Donation to a charitable institution and Rs 1,500 as Diwali pooja expenses.

vi. Legal expenses include Rs 750 paid to a lawyer in connection with the litigation of the partner's property.

vii. Excise suspense was disallowed when debited in the earlier year.

(2 X 6= 12weights)

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Name: ....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Third Semester M.Com Degree Examination, November 2016

MC3C14 - Advanced Cost Accounting

(2015 Admission onwards)

Max. Time: 3 hours   Max. Weightage: 36

PART A

(Answer all questions, each carries 1weight)

1. Define Activity based Management.
2. What are upstream and downstream costs?
3. What is target costing?
4. How Co-products are different from joint products?
5. What you mean by 'Reverse cost method'?
6. What is "Value engineering"?

                                                     (6x1=6 weights)

PART B

(Answer any six questions. Each question carries three weights)

7. Differentiate between traditional absorption costing and Activity based costing.
8. State the reason for emergence of strategic cost and management accounting.
9. Explain the methods of establishment of target cost.
10. Briefly explain the importance and objectives of JIT.

11. Expro Ltd. manufactures two products, X and Y using common handling facility. The total budgeted material handling cost is Rs.1,10, 000. Other details are given below:

Particulars	Product X	Product Y
Number of units produced	45	45
Material moves per product line	10	30
Direct labour hours per unit	250	250

You are required to calculate the amounts of material handling cost (per unit) to be allocated to products X and Y under activity based costing system?

12. Rayson Ltd. manufactures three products coded as- Lxi, Vxi and Dxi. The actual joint expenses of manufacture for a period were Rs.80,000.

It was estimated that the profit on each product as a percentage of sales would be 30%, 25% and 15% respectively. Subsequent expenses were as follows

	Lxi (Rs)	Vxi (Rs)	Dxi (Rs)
Materials	1,000	750	250
Wages	2,000	1,250	500
Overhead	1,500	1,250	750
Sales	60,000	40,000	25,000

Prepare a statement showing the apportionment of the joint expenses of manufacture of the above products.

13. In 'Vending' process, 150 units of raw materials were introduced at a cost of Rs.1500. the other expenditure incurred by the process was Rs.900. of the units introduced, 10% are normally lost in the course of production and they carries a scrap value of Rs. 7.5 each. The output of vending process was only 100 units. Prepare the Vending process account and abnormal loss account.

14. Southern power supply company Ltd. is about to replace its existing traditional power generation plant either by Thermal power plant or by Diesel power plant. Finance cost is 15% a year, and the other estimated costs are as follows:

	Thermal plant	Diesel plant
Initial plant cost	Rs.75 lakhs	Rs.1 crore
Annual operating cost	Rs.62 lakhs p.a	Rs.45 lakhs p.a
Repair service cost (on completion of 10 years)	Rs.2.5 lakhs	Rs.2 lakhs

Southern company expecting that the new power plants will last at least 20 years, which power plant should be chosen?

(6x3= 18 weights)

PART C
(Answer any two questions, each carries 6 weights)

15. Briefly explain the following Concepts:
    a. Balanced Score card
    b. Porters Value chain
    c. Kaizen costing.

16. The budgeted overheads and cost driver volumes of Excel Ltd. are as follows.

Cost Pool	Budgeted overhead	Cost driver	Budgeted volume
Material procurement	6,00,000	No. of orders	1,200
Material handling	2,50,000	No. of movement	680
Set up	4,20,000	No. of set ups	520
Maintenance	9,50,000	Maintenance hours	8,500
Quality control	1,80,000	No. of inspection	900
Machinery	7,50,000	No. of machine hours	25,000

The company has produced a batch of 2,600 components of ITX-5. Its material cost was Rs.1,45,000 and labour cost was Rs.2,50,000.

The usage activities of said batch are as follows: Material orders: 32 No's, Maintenance Hours: 710, Material Movements; 20No's, Inspection: 30 No's, Set ups: 26 No's, Machine hours: 1,800

You are required:

    a. Calculate cost driver rates that are used for tracing appropriate amount of overheads to the said batch.

    b. Ascertain the total cost of batch of component using ABC.

17. Alco Ltd giving you the following details of its manufacturing process. You are required to prepare:
    a. A statement of equivalent production
    b. Statement of cost and
    c. Find the value of output transferred and closing work-in- progress, by following FIFO method:

    Details:
    Opening work-in- progress: 20,000 units
    Material (100% complete): Rs.50,000
    Labour (60% complete)   : Rs.30,000
    Overheads (60% complete): Rs.15,00
    Units introduced in to process 1 is : 80,000
    Closing W.I.P: 20,000
    Stage of completion:
    Material - 100%
    Labour – 50%
    Overhead – 50%
    80,000 units were transferred to next process II. The process costs for the period were: materials Rs.9,50,000, Labour Rs.6,00,000 and overheads Rs.3,00,000.

(2x6= 12 weights)

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Reg. No:...............................

Name: ....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.Com Degree Examination, November 2016
MC3C12 - Research Methodology for Commerce
(2015 Admission onwards)

Max. Time: 3 hours

Max. Weightage: 36

PART A

Answer all Questions, Each Question carries one weight

1. What is a longitudinal study?
2. Define 'descriptive research'.
3. What is type one error?
4. What is multivariate analysis?
5. What is bibliography?
6. An automobile manufacture conducting research to predict the type of car design consumers will prefer in 2020.is this basic research or applied research? clarify

(6×1=6 weights)

PART B
Answer any six questions
Each question carries three weights.

7. Explain the key objectives of the literature review?
8. What are t e sampling and non sampling errors and how a researcher can control them?
9. Explain the process of induction and deduction in research.
10. What is a questionnaire? What steps involved in the questionnaire design process
11. Explain the major sources of gathering secondary data. What precaution will you take while using secondary data?
12. Narrate how do you believe internet is facilitated research?
13. Explain the qualities of a good research report
14. Recognize and distinguish among examples of the types of random (probability) samples:
    (a)Simple   (b)Systematic   (c)Stratified   (d)Cluster

(6×3=18 weights)

PART C
Answer any two questions
Each question carries six weights.

15. Why research is said to be a process? Explain the various stages in the research process.

16. Devise plan for a programme of primary research to address the organizer's need to understand how effective the training programme is in helping students to improve their entrepreneurial skills. In your plan include the research design, the sampling plan and the method(s) of data collection. Give reasons for each of the choices you make.

17. A footwear manufacturer has recently opened a number of branches in towns across a part of the country it had not previously operated in. The organisation now wants to know whether and to what extent potential customers are aware of them. Your are awarded the contract to carry out this research. The client wants the survey conducted face-to-face but does not want to use any form of street intercept for the survey.
    a) Describe at least three sampling methods which could be used for this survey, outlining the advantages and disadvantages of each of the methods chosen.
    b) Which sampling method would you recommend? Give reasons for your choice

(2×6=12 weights)

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Reg. No:................................

Name: ....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Third Semester M.Com Degree Examination, November 2016

MC3C11 - Financial Management

(2015 Admission onwards)

Max. Time: 3 hours

Max. Weightage: 36

PART A

Answer all questions
Each question carries one weight

1. Explain the term Capital rationing.
2. Define Interst tax shield.
3. What is Wet and dry lease ?
4. What do you mean by a GDR/ ADR ?
5. What is Financial break even point ?
6. What is FPO ?

(6×1=6 weights)

PART B

Answer any six questions

Each question carries three weights

7. How can probability theory be utilized in analyzing risk of investment projects ? Illustrate.
8. Explain and illustrate the concept of time value of money.
9. Discuss how the cost of capital enters in to the process of evaluating capital budgeting proposals.
10. List the criteria for classifying lease as finance lease. What are the features around which it is structured?.
11. Discuss the role of arbitraging in keeping the value of a firm unchanged regardless of variations in financing mix.
12. Explain the Baumol model of cash management.
13. Alpha company is contemplating conversion of 500 14 % convertible bonds of Rs. 1000 each .Market price of the bond is 1080 .Bond indenture provides that one bond will be exchanged for 10 shares. Price-earning ratio before redemption is 20:1 and anticipated price earnings ratio after redemption is 25:1 Number of shres outstanding prior to redemption are 10,000. EBIT amounts to Rs 2,00,000. The company is in the 35 % tax bracket. Should the company convert bond in to shares ? Give reasons.
14. The Asbestors company belong to a risk class of which appropriate capitalisation rate is 10 %. It currently has 1,00,000 shares selling at Rs. 100 each. The firm is contemplating the declaration of a Rs 6 dividend at the end of the current fiscal year , which has just begun. Answer the following questions based on the MM model and the assumption of no taxes :

a) What will be the price of the shares at the end of the year if
i) dividend is not declared ; and   ii) if it is declared
b) Assuming that the firm pays dividend , has net income of Rs. 10,00,000 and makes new investment of Rs.20,00,000 during the period ,how many new shares must be issued

(6×3=18 weights)

PART C

Answer any two questions
Each question carries six weights.

15. Explain the significance of operating and financial leverage analysis for a financial executive in corporate profit and financial structure planning

16. Modern enterprises Ltd is considering the purchase of an new computer system for its research and development division ,which would cost Rs. 35 lakh. The operation and maintenance cost (excluding depreciation) are expected to be Rs. 7 lakh per annum It is estimated that the useful life of the system would be 6 years, at the end of which disposal value is expected to be Rs. 1 lakh

The tangible benefits expected from the system in the form of reduction in design and draftmanship cost would be Rs.12 lakh per annum. The disposal of used drawing office equipment and furniture initially is anticipated to net Rs. 9 lakh
As capital expenditure in research and development, the proposal would attract   a 100 percent write off for tax purposes. The gain arising from disposal of used assets may be considered tax free. The effective tax rate is 35 percent. The average cost of capital of the company is 12 per cent
After appropriate analysis of cash flow, advice the company of the financial viability of the proposal. Ignore tax on salvage value.

17. A firm uses a continuous billing system that results in an average daily receipt of Rs. 40,00,000. It is contemplating the the situation of concentration banking , instead of current system of centralised billing and collection. It is estimated that such a system would reduce the collection period of accounts receivable by 2 days.
Concentration banking would cost Rs. 75,000 annually and 8 per cent can be earned by the firm on its investment .It is also found that a lock box system could reduce its overall collection time by four days and could cost annually Rs. 1,20,000.
i) How much cash would be released with the concentration banking system?
ii) How much money can be saved due to reduction in the collection period by 2 days? Should the firm institute the concentration banking system?
iii) How much cash would be freed by lock –box system?
iv) Between concentration banking and lock box system, which is better?

(6×2=12 weights)