

52

M3N17031

(Pages : 1)

Reg. No:.....

Name:

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.Com Degree Examination, November 2017
MC3C11 – Financial Market & Institutions
(2016 Admission onwards)

Max. Time: 3 hours

Max. Weightage: 36

Part I

I. Answer all the Six questions, each carries 1 weightage:

1. What do you mean by equity warrants?
2. What is open market?
3. What do you mean by NEAT system?
4. What is NCDEX?
5. What is a currency swap agreement?
6. What is price rigging?

(1 x 6=6 weightage)

Part II

II. Answer any Six questions, each carries 3 weightage:

7. Write a note on ADR and GDR.
8. Briefly explain various pension funds which are voluntary in nature.
9. Discuss the procedure for purchasing dematerialized securities.
10. Distinguish between classical theory and loanable fund theory.
11. What are the weaknesses of stock exchanges in India?
12. State the functions of NABARD.
13. What are the factors affecting the flow of foreign capital in India?
14. Write a note on MCX.

(3 x 6=18 weightage)

Part III

III. Answer any Two questions, each carries 6 weightage:

15. What is the need of setting up mutual funds? Discuss the types of mutual funds prevalent in India.
16. What do you mean by stock exchange? Explain the major international stock markets.
17. What do you mean by term structure of interest rates? Explain the relationship between short term and long term interest rates.

(6 x 2=12 weightage)

58

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.Com Degree Examination, November 2017
MC3E(F)01 – Financial Management
(2016 Admission onwards)

Max. Time: 3 hours

Max. Weightage: 36

PART-A

Answer all the questions. Each carries 1 weight

1. What is net lease?
2. What are seasonal dating?
3. What is operating cycle?
4. Define cost of capital.
5. What is indifference point?
6. What does " $DOL_{3000 \text{ units}} = 5$ " really mean?

(6 x 1= 6 weightage)

PART- B

Answer any six questions. Each carries 3 weight

7. Calculate the degree of operating leverage, financial leverage and combined leverage from the following data. Also give a comment on the effect of financial leverage on the financial structure of the company.
Sales – 1,00,000 units @ Rs 2 per unit, Variable cost per unit @ 0.70, Fixed cost Rs 1,00,000, Interest charges Rs 4000.
8. Company X and company Y are in the same risk class and are identical in every respect except that company X uses debt, while company Y does not. The levered firm has Rs 900,000 debentures, carrying 10 % rate of interest. Both firms earn 20 per cent operating profit on their total assets of Rs 15 lakhs. Assume perfect capital markets, rational investors and so on, a tax rate of 35 per cent and capitalisation rate of 15 per cent for an all-equity company. Compute the value of the firms X and Y using Net Operating Income approach and Net Income approach. Which of these two company has an optimal capital structure according to NOI approach?
9. How does an exchangeable bond differ from a convertible bond?

What generalization can you make?

Situation	Expected Return on Market Portfolio (%)	Risk Free rate (%)	Beta
1	15	10	1.00
2	18	14	0.70
3	15	8	1.20
4	17	11	0.80
5	16	10	1.90

11. Briefly explain the techniques of inventory management.
12. Explain the factors that determine the dividend policy of a company?
13. Sagar Industries feels a lock-box system can shorten its accounts receivable collection period by 3 days. Credit sales are estimated at Rs 365 lakh per year, billed on a continuous basis. The firms opportunity cost of fund is 15%. The cost of lockbox system is Rs 50,000. Will you advise the company to go for lock box system? Will your answer be different if accounts receivable collection period is reduced by 6 days?
14. Explain why trade credit from suppliers is a 'spontaneous source of funds'?

(6 x 3 = 18 weightage)

PART C.

Answer any two questions. Each carries 6 weight

15. Calculate the requirements of working capital from the following information
 Yearly production 69000 units, Finished goods in store- 3 months, Raw material in store – 2 month's consumption, Production process- 1 month, Credit allowed by creditors- 2 months, Credit given to debtors- 3 months, Selling price per unit- Rs 50, Raw material- 50% of selling price, Direct wages- 10% of selling price, Manufacturing and administrative overheads- 16% of selling price, Selling overheads- 4% of selling price.
 There is a regular production and sales cycle and wages and overheads accrue evenly. Wages are paid in the next month of accrual. Material is introduced in the beginning of the production cycle.
16. What is capital structure? What are the major determinants of capital structure? Briefly explain the approaches to capital structure.
17. The earning per share of a company is Rs 8 and the rate of capitalisation applicable is 10 %. The company has before it, an option of adopting a) 50 %, b) 75 % and c) 100 % dividend pay-out ratio. Compute the market price of the company's quoted shares as per Walter's model if it can earn a return of i) 15 %, ii) 10 % and iii) 5 % on its retained earnings.

(2 x 6= 12 weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
 Third Semester M.Com Degree Examination, November 2017
 MC3E(F)02 – Security Analysis & Portfolio Management
 (2016 Admission onwards)

Max. Time: 3 hours

Max. Weightage: 36

Part-I*Answer all questions. Each question carries one weightage.*

1. Define portfolio.
2. What do you mean by mobilization of savings?
3. Explain the concept systematic risk?
4. What is industry life cycle?
5. What is buy and hold strategy?
6. Write a note on 'run test'. (6 x1= 6 weights)

Part-II*Answer any six questions. Each question carries three weightage.*

7. What is portfolio revision? Explain its significance in portfolio management.
8. Define 'beta'. How is it interpreted?
9. How is the competitive position of a company within the industry determined?
10. What is meant by optimal portfolio? How is it identified?
11. The stock of LazaLtd. has a required rate of return of 18%. The current market price of its share is Rs.110 and its current dividend per share is Rs.10 Calculate its growth rate.
12. A stock costing Rs.1200 pays no dividends. The possible prices that the stock might sell for at the end of the year with the respective probability are as follows:

Price (Rs.)	Probability
1150	0.1
1200	0.1
1250	0.2
1300	0.3
1350	0.2
1400	0.1

- a) Calculate expected return.
- b) Calculate standard deviation of return

13. Varmura firm is trying to decide two out of the four investment funds. You are required to assist them for the selection. From the past performance, they were able to calculate the following average returns and standard deviations of these funds. The current risk free rate of interest is 9%.

Return and risk	Fund A	Fund B	Fund C	Fund D
Average return	17	18	16	14
Standard deviation	19	20	13	12

13. Flora Ltd. operates a large readymade garment system in the textile industry. Assume that its common stock can be purchased in the beginning of 2016 at Rs.400. The dividend per share would be Rs.20 for the next three years. It is estimated that at the end of 2018, the stock will be sold for Rs.550. What is the rate of return for Flora Ltd.'s stock?

(6 x 3 = 18 weights)

Part-III

Answer any two questions. Each question carries sixweightage.

15. Why do individuals invest? What factors contribute to the rate of return that investors require on an investment?
16. A Pharmaceutical company paid a dividend of Rs. 27.5 during the current year. Forecasts suggest that earnings and dividend of the company are likely to grow at the rate of 8% over the next five years and at the rate of 5% thereafter. Investors have traditionally required a rate of return of 20% on these shares. What is the present value of stock?
17. "CAPM postulates the nature of the relationship between the expected return and the systematic risk of a security" Explain

(2 x 6 = 12 weights)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.Com Degree Examination, November 2017
MC3C13 – Research Methodology
(2016 Admission onwards)

Max. Time: 3 hours

Max. Weightage: 36

Part A*Answer all the questions.**Each question carries one weightage*

1. What is a research problem?
2. What are the purposes of reviewing literature?
3. Define exploratory research?
4. Distinguish Sampling and non-sampling error?
5. Explain Stapel scale with an example.
6. What is pre-coding?

(6 x1 = 6 weightage)**Part B***Answer any six of the following questions.**Each question carries 3 weightage*

7. Explain the importance of research in social science.
8. What are the major factors influencing the determination of sample size?
9. What is secondary data? What are the electronic sources of secondary data?
10. What is validity of a scale? How to test validity of a scale?
11. Define Bibliography. Prepare specimen of citing books and articles in APA format.
12. What are the different types of research reports?
13. Explain Non probability sampling. Explain any four non-probability sampling techniques.
14. What are the essentials of a structured questionnaire?

(6x3 =18 weightage)**Part C***Answer any Two of the following questions.**Each question carries 6 weightage*

15. What is the need and importance of hypothesis in research. Briefly explain the procedure in formulating and testing hypothesis.
16. What is primary data? What are the methods of collecting primary data for social science research?
17. What do you mean by analysis of data? Briefly explain the different tools and techniques that can be used for analyzing quantitative data.

(2 x 6 = 12 weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Third Semester M.Com Degree Examination, November 2017
MC3C12 – Income Tax Law and Practice
(2016 Admission onwards)

Max. Time: 3 hours

Max. Weightage: 36

PART A

Answer all questions
Each question carries one weight

1. Explain the provisions for determining the residential status of a HUF.
2. Who is an assessee?
3. What do you mean by aggregation of income?
4. What is agricultural income?
5. What do you mean by tax free commercial securities and less tax commercial securities?
6. What is TDS?

(6 x 1= 6 weights)

PART B

Answer any six questions
Each question carries three weights

7. What are the items disallowed as deduction under section 40(b), while computing a firm's income from business or profession?
8. Explain the provisions governing set off of losses.
9. Explain the provisions regarding additional depreciation on plant or machinery.
10. Compute the tax liability of Mr Pramod, a disabled person who is 67 years for the AY 2017 – 18:

a. Income from profession	: 6,20,000
b. Income from house property	: 41,000.
c. Short term capital gain	: 6,000.
d. LTCG	: 20,000
e. Winnings from lottery	: 50,000
f. Agricultural income	: 20,000
g. Amount invested in NSC VIII issue	: 30,000
h. Unexplained cash credit	: 1,00,000

11. Compute the total income and tax payable of a HUF for the AY 2016-17:

- | | |
|--|--------------|
| a. Rent received from the house property | : 5,000 p.m. |
| b. Municipal value | : 50,000 |
| c. Local tax @ 10% | |
| d. Income from business | : 2,90,000 |
| e. STCG | : 15,000 |
| f. LTCG | : 30,000 |
| g. Dividend from UTI | : 12,000 |
| h. Winnings from lottery | : 50,000 |

12. X, Y and Z are partners in a professional firm which fulfils the conditions of section 184. They agreed to share profits and losses in the proportion of 3:2:1 respectively. The firm's Profit and Loss Account for the year ended 31.3.2017 showed a net profit of Rs 2,44,000 after debiting the following amounts:

- i. Salary of Rs 4000 pm paid to Z.
- ii. Rent of Rs 19,000 paid to X for the portion of the building owned by X in which the firm's office was situated. Fair rental value of the building is Rs 10,000.
- iii. Interest on capital of Rs 1000, Rs 2000 and Rs 3000 to X, Y and Z respectively.
- iv. Commission paid to Y Rs 40,000.
- v. Expenses on current repairs of the business premises belonging to partner X, Rs 1000.
- vi. Donation to approved body Rs 5000 by cheque.
- vii. Salary to Y's son Rs 72,000. Y's son is qualified management graduate and was serving another concern on Rs 6000 p.m.

The net profit of Rs 2,44,000 included Rs 12,000 from interest on government securities. Compute the total income of the firm for the AY 2017-18.

13. Compute the tax payable by Mr Devan for the AY 2017-18:

- a. Income from house property : 1,00,000
- b. Interest on government securities : 10,000
- c. Long term capital gain : 50,000
- d. Income from business : 10,55,000
- e. Agricultural income : 1,00,000
- f. Amount withdrawn from PPF : 50,000
- g. Purchased NSC VIII issue : 30,000
- h. Amount deposited in PPF : 60,000
- i. Subscription to eligible issue of capital : 35,000

14. The income of Mr Kareem from business is Rs 7,50,000. Further, he has earned Rs 20,000 as agricultural income from Gundal Pett during the previous year. Determine his tax liability for the AY 2017-18.

(6 x 3= 18weights)

Part C

Answer any two Questions.

Each carries six weights.

15. Compute the total income and tax payable by Mr Sreekumar for the AY 2017-18:

- i. Income from salary : 3,00,000
- ii. Annual value of house property : 20,000
- iii. Interest on loan taken to purchase a house which is used for self residence Rs 20,000.
- iv. He has sold another residential house on 1.4.2016 for Rs 29,52,000. Its fair market value on 1.4.1981 was Rs 2,00,000. He reinvested on 30.7.2016 Rs 3,76,000 in the bonds of NHAI.
- v. Winning from race Rs 40,000 and lottery Rs 2000.
- vi. He paid Rs 6000 by cheque as premium to secure the health insurance of GIC for his family.
- vii. His mother dependent on him is suffering from cancer and he spent Rs 16,500 on her treatment during the PY.
- viii. His son is disabled and he spent Rs 15,000 as education expenses of this son.
- ix. Donation of Rs 10,000 to Gujarath State Chief Minister's Relief Fund.

16. What do you mean by assessment? Describe the various types of assessments.

17. X, Y and Z are partners in a firm sharing profits in the ratio of 3:2:1. Firm's Profit and Loss Account for the year ended 31.03.2017 revealed a net profit of Rs 1,50,00,000 after deduction of the following:

- i. Salary to X Rs 8,00,000
 - ii. Rent of building owned by X Rs 60,000. Firm's office is situated in this building.
 - iii. Commission paid to X, Y and Z Rs 2,00,000, Rs 3,50,000 and Rs 7,00,000 respectively.
 - iv. Interest on capital @20% p.a to X, Y and Z Rs 1,50,000, Rs 2,50,000 and Rs 3,50,000 respectively.
 - v. Bonus paid to Z is Rs 5,00,000.
 - vi. Repairs and renewals of building of X Rs 2,00,000. Firm is not responsible to repair the building.
 - vii. Interest on loan given by Y's wife out of her sthridhan Rs 3,00,000.
 - viii. Audit fee paid to X's son who is chartered accountant Rs 20,000.
 - ix. Taxi charges paid to Y Rs 25,000. Y runs taxi business independently. Firm took his taxi on hire for firm's business.
 - x. Firm donated Rs 80,000 to approved institution by cheque
- Firm's income of Rs 1,50,00,000 includes Rs 4,50,000 interest received on government securities.

Find out the tax liability of the firm for the AY 2017-18.

(2 x 6= 12weights)