

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester M.Com Degree Examination, March /April 2019

MCOM4B19– Tax Planning and Management
(2017Admission onwards)

Time: 3 hours

Max. weightage : 36

PART I

Answer all questions

Each question carries one weight

1. What are the Rules regarding the tax rebate?
2. What do you mean by clubbing of income?
3. What do you understand by tax evasion?
4. What is tonnage tax?
5. What is tax holiday?
6. What is MAT?

(6 x 1 = 6 weightage)

PART II

Answer any six questions

Each question carries three weights

7. State the provisions to value the following perquisites under the head salary:
 - a) Interest free loan
 - b) Rent Free Accommodation.
8. Define a widely held company.
9. Distinguish between tax planning and tax evasion.
10. While tax management is essential for every assessee, tax planning is essential. Discuss.
11. Bharath Ltd , an Indian company (widely held) gives the following details of income for the PY 2017 - 18:
 - a) Book profit under section 115JB – Rs.9,00,000.
 - b) Interest on Government securities – Rs.20,000.
 - c) Income from business – Rs.5,00,000.
 - d) STCG – Rs. 15,000.
 - e) LTCG – Rs.33,000.
 - f) Dividend from a domestic company Rs.10,000.
 - g) Dividend from a foreign company – Rs. 10,000.

Compute the total income and tax liability of the company.

12. Explain in details the provisions for computing tax payable by company under section 115JB.
13. Gyan Ltd, a domestic company, furnishes the following details of its income for the previous year ended 31.3.2018.

- a) Profits of business after deduction of donations to an approved charitable institution Rs 5,00,000.
- b) Donation to a charitable institution by cheque Rs.30,000.
- c) Interest on government securities Rs. 10,000.
- d) Dividend from a domestic company Rs.60,000.
- e) LTCG Rs.50,000.
- f) Book profit under section 115JB Rs.8,00,000.

During the financial year 2017-18, the company deposited Rs.15,000 in Industrial Development Bank of India. The company distributed gross dividend of Rs.100,000 on 6.2.2017. Compute the tax payable by the company for the AY 2018-19.

14. The book profit of Patanjali Ltd in the PY 2017-18 computed in accordance with provisions of section 115JB IS Rs 12,00,000. The total income of the company for the same period is Rs. 3,50,000. Is the company liable to pay MAT? (6 x 3 = 18 weightage)

Part III

Answer any two Questions.

Each carries six weights.

15. Explain the provisions of tax planning in respect of employee's remuneration from the employer's point of view.
16. Explain the factors to be considered while making a decision regarding make or buy.
17. Abhaya Ltd earned a net profit of Rs 4,00,000 during the FY 2018-19. Detailed examination of the accounts of the company shows the following details:

- a) Donation paid to an approved charitable trust Rs.20,000.
- b) Provision for income tax Rs. 1,00,000.
- c) Family planning expenses Rs.25,000.
- d) Capital expenditure on family planning Rs.1,00,000.
- e) Bad debts allowed earlier recovered during the previous year Rs. 10,000.
- f) Interest on bank deposits Rs. 30,000.
- g) LTCG Rs. 1,00,000.
- h) Dividend from a domestic company Rs.20,000.

There was an unabsorbed depreciation of Rs. 35,000 and unabsorbed capital loss of Rs.40,000 brought forward from the earlier AY.

Compute the total income of the company for the AY 2018-19.

(2 x 6= 12 weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
 Fourth Semester M.Com Degree Examination, March /April 2019
 MCOM4B18– Strategic Financial Management
 (2017 Admission onwards)

Time: 3 hours

Max. weightage: 36

Part A**Answer all six questions, Each carries 1 Weightage**

1. What is EVA?
2. What is strike price?
3. What is swap ratio?
4. What do you mean by operating lease?
5. What is hostile takeover?
6. What is intrinsic value?

(6 x 1 = 6 Weightage)**Part B****Answer any Six Questions, Each carries Three Weightage**

7. Explain briefly the need for creating share holder value.
8. Explain different types of corporate takeover.
9. Explain how merger and dilution affect on earnings per share.
10. What is leasing? Briefly explain the benefits of lease to the borrower.
11. Discuss the characteristics of LBO.
12. What factors do you consider in capital structure planning and policy?
13. A Ltd is considering takeover of B Ltd and C Ltd. the financial data for the three companies are as follows:

Particulars	A Ltd	B Ltd	C Ltd
Equity share capital of Rs 10 each (Rs/million)	450	180	90
Earnings (Rs/million)	90	18	18
Market price of each share (Rs)	60	37	46

Calculate (a) Price-earnings (P/E) exchange ratios, and (b) Earnings per share of A Ltd after the acquisition of B Ltd and C Ltd separately. Will you recommend the merger of either/both of the companies? Justify your answer.

14. The following information is available in respect of A Ltd:

Earnings Per Share Rs. 10

Cost of Capital 10%

Find out the market price of the share using Gordon's model under different rates of return, r , of 8%, 10%, and 15% for different payout ratios of 40%, 80% and 100%.

(6 x 3 = 18 Weightage)

Part C

Answer any Two Questions, Each carries Six Weightage

15. What is merger? Discuss different types of mergers and acquisitions.

16. Suppose a firm has employed a total capital of Rs. 1,000 lakh (provided equally by 10 percent debt and 5 lakh equity shares of Rs. 100 each), its cost of equity is 14 per cent and it is subject to corporate tax rate of 40 per cent. The projected free cash flows to all investors of the firm for 5 years are given in the table:

Year – end	Amount (Rs. lakh)
1	300
2	200
3	500
4	150
5	600

Compute (i) valuation of firm and (ii) valuation from the perspective of equity holders. Assume 10 per cent debt is repayable at the year-end 5 and interest is paid at each year-end.

17. The Well Established Company's most recent balance sheet is as follows:

Liabilities	Amount(Rs)	Assets	Amount(Rs)
Equity Capital (Rs. 10 per share)	60,000	Net Fixed Assets	1,50,000
10% Long – term debt	80,000	Current Assets	50,000
Retained earnings	20,000		
Current liabilities	40,000		
Total	2,00,000	Total	2,00,000

The company's total assets turnover ratio is 3, its fixed operating costs are Rs. 1,00,000 and the variable operating costs ratio is 40 per cent. The income tax rate is 35 per cent.

(a) Calculate all the three types of leverage.

(b) Determine the likely level of EBIT if EPS is (i) Re. 1, (ii) Rs. 3, and (iii) Zero.

(2 x 6 = 12 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester M.Com Degree Examination, March /April 2019
MCOM4B17– Cost Management
(2017 Admission onwards)

Time: 3 hours

Max. Weightage : 36

PART I

Answer all SIX each carries a weightage of 1

1. What is Business Process Re-engineering?
2. What is equivalent production?
3. What is ideal variance and how it is different from basic variance?
4. Identify the stages involved in designing ABC systems.
5. What is Value engineering?
6. What are committed costs?

(6 x 1 = 6 weightage)

PART II

Answer any SIX each carries a weightage of 3

7. Explain the role of benchmarking within the cost management framework.
8. Outline the main features of a just-in-time philosophy.
9. ABC Cements Ltd. Has a Captive Power Generation Plant for its Cement Works. The following information is available regarding power generation for the month of April 2016.

Coal Consumption -150 MT @ Rs.4000 per MT

Oil -200 liters @ Rs.70 per litre

Water -1500 gallons @ Rs.200 per gallon

Stores and other consumables Rs.20,000.

Salaries at the Power Generation Plant: 1 Supervisor @ Rs.30,000 p.m. ; 4 Skilled

Workers @ Rs. 20,000 p.m.; 3 Helpers @ Rs12,000 p.m.

Salaries of Boiler house attendants: 6 Workers @ Rs 15000p.m.

Cost of Generating Plant Rs. 50,00,000 with a life of 10 years and a residual value of Rs.5,00,00.

Cost of Steam Boiler Rs. 15,00,000 with a life of 10 years and no residual value.

Miscellaneous income received by sale of Ash Rs.20,000.

Repairs and Maintenance: Generating Plant Rs.25,000; Boiler House Rs.15,000.

Share of Administrative Overhead Rs.40,000.

No. of units generated during the month 4,00,000.

You are required to prepare the Operating Cost Sheet and calculate the Cost per Unit of Electricity generated.

10. In a manufacturing unit, raw material passes through four processes, I, II, III and IV and the output of each process is the input of the subsequent process. The loss in the four processes I, II, III and IV are respectively 25%, 20%, 20%, 16.2/3% of the input. If the end product at the end of the process IV is 40,000kg, what is the quantity of raw material required to be fed at the beginning of Process I and the cost of the same at Rs.5 per kg.

11. Compute the material usage variance from the following information:

Standard material cost per unit	Materials issued
Material A 2 pieces @ Re.1.00 = 2.00	material A 2,050 pieces
Material B 3 pieces @ Rs.2.00 = 6.00	material B 2,980 pieces
<u>Rs.8.00</u>	

Units completed 1,000

12. A transport company is running five busses between two towns which are 50 kms apart. Seating capacity of each bus is 50 passengers. The following particulars were obtained from their books for April, 2017.

	Rs.
Wage of drivers, conductors and cleaners	34,000
Salaries of Office staff	15,000
Diesel oil and other oil	55,000
Repairs and maintenance	12,000
Taxation, insurance etc	16,000
Depreciation	36,000
Interest and other expenses	<u>30,000</u>
	<u>1,98,000</u>

Actually, passengers carried were 80 per cent of the seating capacity. All busses ran on all days of the month. Each bus made one round trip per day. Find out the cost per passenger km.

13. The standard cost card for a product shows:

Material cost 2 kg @ Rs.2.50 each	Rs.5.00 per unit
Wages 2 hours @ Rs10 each	Rs.20.00 per unit

The actuals which have emerged from the business operations are as follows:

Production	8,000 units
Materials consumed 16,500 kg @ Rs.2.40 each	Rs.39,600
Wages paid 18,000 hours @ Re 8 each	Rs.1,44,000

Calculate the appropriate material and labour variances.

14. In Amino Acids & Minerals Ltd., input of Process I is 300 units of raw materials and is Rs.4,500. This passes through Process 2 where a further cost is incurred at Rs.1,500 and by-product produced quantity 30 units of a sales value of Rs.600. Split up has already occurred but costs are still common. The joint products X, Y and Z now pass through subsequent process number 3/1, 3/2, and 3/3 for products X, Y and Z respectively. These are in quantities of 120, 90, and 60 units with marginal cost of Rs. 300, Rs.600 and Rs.900 respectively. The selling prices of X, Y and Z after final process are Rs. 40, Rs.50 and Rs.60 respectively. The joint fixed cost amounts to Rs.3000. Find individual product costs and profits.

(6 x 3 = 18 weightage)

PART III

Answer any TWO each carries a weightage of 6

15. Lincare Company operates an activity-based costing system and has forecast the following information for next year.

Cost pool	Cost	Cost driver	Number of drivers
Production set-ups	Rs.1,05,000	Set-ups	300
Product testing	Rs.3,00,000	Tests	1500
Component supply and storage	Rs. 25,000	Component orders	500
Customer orders and delivery		Customer orders	1000

General fixed overheads such as lighting and heating, which cannot be linked to any specific activity, are expected to be Rs.9,00,000 and these overheads are absorbed on a direct labour hour basis. Total direct labour hours for next year are expected to be 3,00,000 hours.

Lincare Co. expects orders for Product ZT3 next year to be 100 orders of 60 units per order and 60 orders of 50 units per order. The company holds no stocks of Product ZT3 and will need to produce the order requirement in production runs of 900 units. One order for components is placed prior to each production run. Four tests are made during each production run to ensure that quality standards are maintained. The following additional cost and profit information relates to product ZT3.

Component cost : Rs.1.00 per unit

Direct labour:10 minutes per unit at Rs.7.80 per hour

Profit mark up :40% of the total unit cost.

Required : a) Calculate the activity-based recovery rates for each cost pool.

b) Calculate total unit cost and selling price of Product ZT3.

c) Discuss the reasons why activity-based costing may be preferred to traditional absorption costing in the modern manufacturing environment.

16. From the following information for May 2017 relating to SV Company Ltd., prepare process accounts for Process III

Opening stock in Process III	1000 units at Rs.14,400
Transfer from Process II	42,600 units at Rs. 3,30800
Direct materials added to Process III	Rs.1,60,720
Direct wages	Rs. 79,240
Production overhead	Rs.39,620
Units scrapped	2,200 units
Transferred to Process IV	37,800 units
Closing stock	3,600 units

Degree of completion:

	Opening Stock	Closing Stock	Scrap
Material	70%	80%	100%
Labour	50%	60%	80%
Overhead	50%	60%	80%

There was a normal loss of 5% production and units scrapped were sold at Rs.3.

17. Explain life-cycle costing and describe the typical pattern of cost commitment and cost incurrence during the three stages of a product's life cycle.

(2 x 6 = 12 weightage)

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(2 x 6 = 12 weightage)

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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester M.Com Degree Examination, March /April 2019
MCOM4B16 – Financial Derivatives and Risk Management
(2017 Admission onwards)

Time: 3 hours

Max. Weightage: 36

PART I

Answer all questions, each carries 1 weightage

- 1 Define Swaption
- 2 What is option premium?
- 3 What is the concept of mark to market margin?
- 4 What is price convergence?
- 5 What is underlying asset in a derivatives contract?
- 6 What is open interest?

(6 x1 = 6 weightage)

PART II

Answer any SIX out of EIGHT 'short essay questions',
Each question carries 3 weightage.

- 7 Explain how derivative instruments are different from a regular instrument of trade?
- 8 Differentiate Hedging , Speculation and Arbitrage
- 9 Brief the following terms
A) Call option B) Put Option C) Exercise price
D) Writer E) Underlying asset F) Cost of carry
- 10 Do you think, are derivatives are well regulated India? Explain
- 11 "Forward contracts are part of everyday life" Explain
- 12 Brief the different types hedging strategies by using futures contract.
- 13 Explain how strangle differ from straddle?
- 14 How interest rate swaps works in hedging risk, explain with an example

(6 x3=18 weightage)

PART III

Answer any TWO out of THREE 'essay questions'
each question carries 6 weightage

- 15 Briefly explain the important risk hedging strategies by using option contracts
- 16 "Derivatives are financial products for management of risk" give reason for the support of you answer
- 17 Discuss the various option pricing models and explain why Black- schools model is important for pricing the option

(2 x 6=12 weightage)