G 301.5 Reg. No. : | | | | | | |

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester V – Degree Examination
February - 2022
CORPORATE ACCOUNTING - I

Time: 3 hrs. Max Marks: 100

SECTION – A

Answer any FIVE of the following. (5x2=10)

1. What is One Person Company?
2. Who are the promoters?
3. What is pro-rata allotment of shares?
4. What is Firm underwriting?
5. State any four factors affecting Goodwill of a company.
6. State different ways of redemption of debentures.
7. What is Fair value?

SECTION - B

Answer any FOUR of the following. (4x12=48)

8. Explain the SEBI Guidelines on underwriting of Shares and Debentures.
9. Write a short note on Environmental Accounting.
10. The Balance Sheet of Rajeev Ltd as on 31-12-2020 is as follows:

Liabilities	Amount (₹)	Assets	Amount(₹)
15,000 Equity Shares of ₹10 each	1,50,000	Goodwill	10,000
		Fixed assets	1,80,000
General Reserve	95,000	5% Government bonds	20,000
Provision for tax	10,000	Current assets	1,00,000
8% Debentures	50,000	Preliminary expenses	10,000
Creditors	20,000	Discount on debentures	5,000
	3,25,000		**3,25,000**

The average profit of the company after interest and taxes Rs. 31000.

Expected rate of return is 10%.

Compute the value of goodwill of the company at five times of super profit.

11. On 1.4.2020 the following balances appeared in the books of Amar Deep Ltd

	₹
16% Debentures	1,00,000
Debenture Redemption Fund	80,000
Debenture Redemption Fund Investment	80,000

The investment consisted of 14% SBI Bonds. The annual installments was ₹ 16,400. On 31st March 2021 the balance at bank was ₹ 22,600 (before receiving interest on investment)

The investment realized 92% net and the debentures were redeemed.

Show the necessary ledger accounts.

Contd...2

G 301.5

12. On 31-3-2020 the Balance Sheet of Emani Ltd. Was as under:

Liabilities	₹	Assets	₹
Equity shares of ₹ 10	4,00,000	Goodwill	40,000
General Reserve	1,90,000	Fixed assets	5,00,000
P/L A/c	1,20,000	Current Assets	4,00,000
14% debentures	1,00,000		
Currents liabilities	1,30,000		
Total	**9,40,000**	**Total**	**9,40,000**

On the above date the tangible fixed assets were independently valued at ₹ 3,50,000 and goodwill at ₹ 50,000. The net profit of the previous three years were ₹1,03,200, ₹1,04,000 and ₹ 1,03,300 of which 20% was placed to general reserve. The fair return on investments in the industry in which this company is engaged may be taken at 18%.

Compute the value of shares under: Net assets method and Yield method.

13. A company had forfeited 300 shares of ₹ 10 each of X for nonpayment of allotment money of ₹ 3 per share, 200 shares of Y for nonpayment of first call of ₹ 2 per share and 100 shares of Z for nonpayment for final call of ₹ 3 per share.

It has re-issued all the shares at ₹ 8 per share fully paid.

Give journal entries for forfeiture and re-issue of shares.

SECTION – C

Answer any <u>TWO</u> of the following. **(2x16=32)**

14. On 1-4-2016 Sindhu Ltd. Issued 10000 8% Debentures of ₹ 100 each at par repayable at the end of 4 years at a premium of 5%. It is decided to institute a Debenture Redemption Fund for the purpose. The investments being expected to earn 4% net. The table shows that ₹0.235490 annually amounts to ₹1 at 4% in four years. Investments were made in multiples of ₹100 only.

On 31-3-2020 the balance at bank was ₹ 3,70,000 before interest on investments and the investments realized at ₹ 7,84,000. The debentures were paid off.

Prepare:

8% Debentures A/c

Sinking Fund A/c

Sinking Fund Investments A/c

Debenture Holders A/c

15. Manvith Limited was established with Authorized Capital of 200,000 shares and invited applications for 20,000 shares of ₹10 each at a premium of ₹5 per share payable as: On application ₹3 per share, on allotment ₹6 per share including premium and balance in two calls in equal amount. Applications were received for 36,000 shares. 16,000 share applications were refunded and were allotted to all the other applicants. Mr. Nadan fail to pay the allotment money for 200 shares issued to him; so these shares were forfeited when he fails to pay the 1st and 2nd call money. Thereafter, 100 shares were reissued at a price of ₹9 per share. All other moneys were received by the Company. Pass the necessary journal entries for the above.

16. Following is the Trial Balance of Rajath Ltd., Mumbai as on 31.03.2020.

Particulars	Debit (₹)	Credit (₹)
Share Capital		80,000
(8,000 shares of ₹ 10 /- each)		
Stock on 1.4.2019	51,000	
Purchases and sales	2,20,000	3,30,000
Returns	3,800	-
General Expenses	1,800	
Wages	12,000	
Salaries	18,700	
Travelling Expenses	3,200	
Advertisement	1,550	
Rent and Taxes	4,900	
Discount Received	-	2,200
Bank Interest	850	
Bad Debts	2,500	
Buildings	95,000	
Plant and Machinery	98,000	
Sundry Debtors and Creditors	45,000	55,500
Loan	-	25,000
cash	1,400	
Reserve Fund	-	23,000
Preliminary Expenses	11,000	
Profit and Loss Account (Cr)	-	55,000
	5,70,700	**5,70,700**

Adjustments:

1. Transfer ₹ 10,000 to Reserve Fund.
2. Provide depreciation on building at 5%.
3. Stock on 31.03.2020 was valued at ₹12,000.
4. Dividend at 15% on share capital is to be provided.
5. Depreciation on Plant and Machinery at 10%.

Prepare statement of, Profit or Loss and Balance Sheet in the prescribed form.

SECTION – D

Answer the following: (Compulsory) **(10)**

17. Aruna Ltd. issued 2,00,000 shares of ₹10 each. The entire issue was underwritten as follows:

Varun – 1,00,000 shares (Firm underwriting 20,000 shares)

Karan- 60,000 shares (Firm underwriting 10,000 shares)

Sharan- 40,000 shares (Firm underwriting 10,000 shares)

Applications for 1,80,000 shares were received and the marked forms including firm underwriting were:

Varun – 70,000 shares

Karan – 28,000 shares

Sharan – 32,000 shares

Prepare the statement showing the liability of each underwriter.

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3

G 301.5a Reg. No. : | | | | | | |

St Aloysius College (Autonomous)

Mangaluru

B.Com. (ACCA) Semester V – Degree Examination

February - 2022

CORPORATE REPORTING - I

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE of the following. **(5x2=10)**

1. B has an investment property that is measured at fair value. This property is rented out on short-term leases. The directors wish to fair value the property by estimating the present value of the net cash flows that the property will generate for B. They argue that this best reflects the way in which the building will generate economic benefits for B. The building is unique, although there have been many sales of similar buildings in the local area. Discuss whether the valuation technique suggested by the directors complies with International Financial Reporting Standards.
2. Golden Gate enters into a contract with a major chain of retail stores. The customer commits to buy at least \$20 million of products over the next 12 months. The terms of the contract require Golden Gate to make a payment of \$1 million to compensate the customer for changes that it will need to make to its retail stores to accommodate the products. By the 31 December 2020, Golden Gate has transferred products with a sales value of \$4 million to the customer.
   How much revenue should be recognized by Golden Gate in the year ended 31 December 2020?
3. Hyssop is preparing its financial statements for the year ended 31 December 2020.
   On 1 December 2020, the entity became committed to a plan to sell a surplus office property and has already found a potential buyer. On 15 December 2020 a survey was carried out and it was discovered that the building had dry rot and substantial remedial work would be necessary. The buyer is prepared to wait for the work to be carried out, but the property will not be sold until the problem has been rectified. This is not expected to occur until summer 2021. Can the property be classified as 'held for sale'?
4. Dan sold a good to Stan. Control over the good was transferred on 1 January 2020. The consideration received by Dan was 1,000 shares in Stan with a fair value of \$4 each. By 31 December 2020, the shares in Stan had a fair value of \$5 each. How much revenue should be recognized from this transaction in the financial statements of Dan for the year ended 31 December 2020?

Contd...2

5. Equipment constructed for a customer for an agreed price of $18,000. This has recently been completed at a cost of $16,800. It has now been discovered that, in order to meet certain regulations, conversion with an extra cost of $4,200 will be required. The customer has accepted partial responsibility and agreed to meet half the extra cost.

   In accordance with IAS 2 *Inventories*, at what amount should the above item be valued?

6. The following material events have occurred after the reporting period and prior to the date of approval of the financial statements by the directors.

   i) The insolvency of a major credit customer

   ii) The uninsured loss of inventory in a fire

   State whether the above is adjusting or non-adjusting events.

7. Coffee Bean enters into a contract with an airport operator to use some space in the airport to sell its goods from portable kiosks for a three year period. Coffee Bean owns the portable kiosks. The contract stipulates the amount of space and states that the space may be located at any one of several departure areas within the airport. The airport operator can change the location of the space allocated to Coffee Bean at any time during the period of use, and the costs that the airport operator would incur to do this would be minimal. There are many areas in the airport that are suitable for the portable kiosks.

   Required:
   Does the contract contain a lease?

SECTION – B

Answer any <u>FOUR</u> of the following. **(4x12=48)**

8. The ACCA requires its members to adhere to a code of professional ethics. This provides a set of moral guidelines for professional accountants. Elaborate.

9. Cryptocurrencies are digital currencies that operate independently of a central bank. The most well-known cryptocurrency is the bitcoin. Some businesses now accept bitcoins in place of traditional currencies. The price of one bitcoin was $20 at the beginning of 2013. This rose to a high of just under $20,000 in December 2017. In February 2018, its price dropped 50% in 16 days. The price of a bitcoin is therefore highly volatile. Investors can earn large returns by buying bitcoins on an exchange when the quoted price is low and selling them on an exchange when the quoted price rises. Cryptocurrencies like the bitcoin have proved problematic with regards to financial reporting because they do not fall within the scope of an issued IFRS or IAS Standard. As such, preparers of financial statements must use the Conceptual Framework to devise an accounting treatment that provides useful information to financial statement users. Using the Conceptual Framework, discuss how an entity might account for an investment in bitcoins that it holds to trade.

Contd...3

10. On 1 June 20X1, Clock received written confirmation from a local government agency that it would receive a $1 million grant towards the purchase price of a new office building. The grant becomes receivable on the date that Clock transfers the $10 million purchase price to the vendor. On 1 October 20X1 Clock paid $10 million in cash for its new office building, which is estimated to have a useful life of 50 years. By 1 December 20X1, the building was ready for use. Clock received the government grant on 1 January 20X2. Discuss the possible accounting treatments of the above in the financial statements of Clock for the year ended 31 December 20X1.

11. (a) An entity, Butler, has a reporting date of 31 December and a functional currency of dollars ($). On 27 November 20X6 Butler plc buys goods from a Swedish supplier for SwK 324,000.

On 19 December 20X6 Butler plc pays the Swedish supplier in full.

Exchange rates were as follows:

27 November 20X6 – SwK 11.15: $1

19 December 20X6 – SwK 10.93: $1

Required:

Describe how the above transaction should be accounted for in the financial statements of Butler for the year ended 31 December 20X6.

(b) An entity, Waiter, has a reporting date of 31 December and the dollar ($) as its functional currency. Waiter borrows in the foreign currency of the Kram (K). The loan of K120,000 was taken out on 1 January 20X7. A repayment of K40,000 was made on 1 March 20X7.

Exchange rates were as follows

1 January 20X7 – K1: $2

1 March 20X7 – K1: $3

31 December 20X7 – K1: $3.5

Required:

Describe how the above should be accounted for in the financial statements of Waiter for the year ended 31 December 20X7.

12. Boxer purchased a non-current asset on 1 January 20X1 at a cost of $30,000. At that date, the asset had an estimated useful life of ten years. Boxer does not revalue this type of asset, but accounts for it on the basis of depreciated historical cost. At 31 December 20X2, the asset was subject to an impairment review and had a recoverable amount of $16,000. At 31 December 20X5, the circumstances which caused the original impairment to be recognized have reversed and are no longer applicable, with the result that recoverable amount is now $40,000. Explain, with supporting computations, the impact on the financial statements of the two impairment reviews.

13. The following information is provided in relation to a defined benefit plan operated by Celine. At 1 January 20X4, the present value of the obligation was \$140 million and the fair value of the plan assets amounted to \$80 million.

	20X4	20X5
Discount rate at start of year	4%	3%
Current and past service cost (\$m)	30	32
Benefits paid (\$m)	20	22
Contributions into plan (\$m)	25	30
Present value of obligation at 31 December (\$m)	200	230
Fair value of plan assets at 31 December (\$m)	120	140

Required:

Determine the net plan obligation or asset at 31 December 20X4 and 20X5 and the amounts to be taken to profit or loss and other comprehensive income for both financial years.

SECTION – C

Answer any <u>TWO</u> of the following. **(2x16=32)**

14. On 1 January 20X1, Kingfisher enters into a four year lease of property with annual lease payments of \$1 million, payable at the beginning of each year. According to the contract, lease payments will increase every year on the basis of the increase in the Consumer Price Index for the preceding 12 months. The Consumer Price Index at the commencement date is 125. The interest rate implicit in the lease is not readily determinable. Kingfisher's incremental borrowing rate is 5 per cent per year.

    At the beginning of the second year of the lease the Consumer Price Index is 140.

    Required:

    Discuss how the lease will be accounted for:

    a) During the first year of the contract

    b) On the first day of the second year of the contract.

15. Craig issues a \$100,000 4% three-year convertible loan on 1 January 20X6. The market rate of interest for a similar loan without conversion rights is 8%. The conversion terms are one equity share (\$1 nominal value) for every \$2 of debt. Conversion or redemption at par takes place on 31 December 20X8.

    Required:

    How should this be accounted for:

    (a) if all holders elect for the conversion?

    (b) no holders elect for the conversion?

16. On 1 January 20X4 Growler granted 200 share appreciation rights (SARs) to each of its 500 employees on the condition that they continue to work for the entity for two years. At 1 January 20X4, the entity expects that 25 of those employees will leave each year.

During 20X4, 20 employees leave Growler. The entity expects that the same number will leave in the second year.

During 20X5, 24 employees leave.

The SARs vest on 31 December 20X5 and can be exercised during 20X6 and 20X7. On 31 December 20X6, 257 of the eligible employees exercised their SARs in full. The remaining eligible employees exercised their SARs in full on 31 December 20X7.

The fair value and intrinsic value of each SAR was as follows:

Reporting date	FV per SAR	Intrinsic value per SAR
31 December 20X4	\$5	-
31 December 20X5	\$7	-
31 December 20X6	\$8	\$7
31 December 20X7	\$10	\$10

Required:

(a) Calculate the amount to be recognised as a remuneration expense in the statement of profit or loss, together with the liability to be recognised in the statement of financial position, for each of the two years to the vesting date.

(b) Calculate the amount to be recognised as a remuneration expense and reported as a liability in the financial statements for each of the two years ended 31 December 20X6 and 20X7.

SECTION – D

Answer the following: (Compulsory) **(10)**

17. Background

Cherry is a large public limited company. It prepares its financial statements using IFRS Standards and has a reporting date of 30 November 20X6. A bonus is paid to the directors each year which is based upon the operating profit margin of Cherry.

Change in accounting policy for pension scheme

On 1 December 20X5, there was an amendment to Cherry's defined benefit scheme whereby the promised pension entitlement was increased from 10% of final salary to 15%. The directors believe that the pension scheme, which is in deficit, is not an integral part of the operating activities of Cherry. As such they have changed their accounting policy so that, from the current year, all gains and losses on the pension scheme are recognized in other comprehensive income. They believe that this will make the financial statements more consistent, more understandable and can be justified on the grounds of fair presentation.

Trademark

On 1 December 20X2, Cherry acquired a trademark, Golfo, for a line of golf clothing for $3 million. Initially, because of the difficulty in determining its useful life, Cherry decided to amortize the trademark over a 10-year life, using the straight-line method. On 1 December 20X5, a competitor unexpectedly revealed a technological breakthrough which is expected to result in a product which, when launched in May 20X8, will significantly reduce the demand for the Golfo product-line. Cherry now intends to continue manufacturing Golfo products until 31 May 20X8. Amortization of $300,000 in relation to the Golfo trademark has been charged in the financial statements for the year ended 30 November 20X6.

Discuss the accounting and ethical implications of the above situations.

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6

G 302.5 Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester V – Degree Examination

February - 2022

INTERNATIONAL BUSINESS

Time: 3 hrs. Max Marks: 100

SECTION – A

Answer any FIVE of the following. (5x2=10)

1. Define international business.
2. Differentiate between tariffs and quotas.
3. What is Leonteif's paradox?
4. What is bill of lading?
5. What is factoring?
6. What is transit duty? Give example.
7. What are ADR's and GDR's?

SECTION - B

Answer any FOUR of the following. (4x12=48)

8. Explain the structure of balance of payments.
9. Explain Stolper- Samuelson theory.
10. Explain the effects of tariffs with a help of a diagram.
11. Explain the importance of international trade.
12. Explain the role of MNCs in India.
13. Explain the forms of regional economic integration.

SECTION – C

Answer any TWO of the following. (2x16=32)

14. Explain the comparative cost theory of international trade. What are its limitations?
15. Explain the objectives and methods of exchange control.
16. Explain the latest reforms related to foreign capital in India.

SECTION – D

Answer the following: (Compulsory) (10)

17. Write a note on international liquidity.

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4

G 302.5b

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

St Aloysius College (Autonomous)

Mangaluru

B.Com. (BPS) Semester V – Degree Examination

February - 2022

CAPITAL MARKETS FOR BPS

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE of the following. **(5x2=10)**

1. How do you define Interest Rate Swaps?
2. Define Risk
3. What is the cash inflow of the investment product?
4. What is Financial Risk Management?
5. What is a Mezzanine Financing?
6. What is Risk modelling?
7. Differentiate between Systematic Risk and Unsystematic Risk.

SECTION – B

Answer any FOUR of the following. **(4x12=48)**

8. Define Mutual Fund. What are the roles played by various entities involved in mutual funds?
9. Explain: a) Clearing and Settlement b) Options
10. What are the returns on an Investment Product? Explain the categories of an Investment Product.
11. Define Investment Bank. Describe the various functions of Investment Bank.
12. Describe the stages of Trade Life Cycle on a generic level.
13. What is a Risk? Explain various types of Risk.

SECTION – C

Answer any TWO of the following. **(2x16=32)**

14. Elaborate in detail "Private equity funds as capital invested in unlisted companies".
15. "A corporate action is a happening or event that is commenced by an issuer company on the securities – either equity or debt". Comment
16. Derivatives are the financial products wherein the value is ascertained on the basis of the value of the underlying security. Elaborate.

SECTION – D

Answer the following: (Compulsory) **(10)**

17. Explain a) Prospectus b) Hedge Funds

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G 303.5

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

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester V – Degree Examination
February -2022

PRINCIPLES AND PRACTICE OF AUDITING

Time: 3 hrs. Max Marks: 100

SECTION – A

Answer any FIVE of the following. (5x2=10)

1. What is meant by "Teeming and Lading"?
2. State any two differences between statutory audit and private audit.
3. Give the meaning of digital signature.
4. What is meant by Collateral Voucher?
5. Define Tax Audit.
6. Distinguish between internal check and internal control.
7. What do you mean by Audit Programme?

SECTION – B

Answer any FOUR of the following. (4x12=48)

8. Distinguish between continuous audit and periodical audit.
9. What are the benefits and limitations of auditing? Explain.
10. Describe the preparations before the audit and procedure of audit.
11. Explain the provisions of verification and valuation of stock in trade and buildings.
12. What are the advantages of audit working papers? Explain.
13. Explain the duties of a company auditor.

SECTION – C

Answer any TWO of the following. (2x16=32)

14. Define Auditing. Explain the various objectives of Auditing.
15. What is an audit report? What are the details to be incorporated in the report of a company by an auditor? Draft a qualified report.
16. What are the qualifications of an auditor of a company? Explain the procedure to be followed for appointment and removal of an auditor

SECTION – D

Answer the following: (Compulsory) (10)

17. "Accounting is a necessity, while Auditing is a Luxury". Explain.

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G 303.5a

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. (ACCA) Semester V – Degree Examination

February - 2022

ADVANCED PERFORMANCE MANAGEMENT - I

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. State any two advantages of Big Data.
2. State any two problems associated quantitative data.
3. State the reason why people are fundamental to an organisation.
4. Distinguish between Internal cost of information and External cost of information.
5. Mention any two conditions to be included in Service Level Agreement.
6. Mention any four measures for measuring Service quality?
7. Distinguish between Star and Dog.

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. What are qualities of good performance reports?
9. What is BPR? How does BPR improve organisational performance?
10. Critically evaluate the Mendelow's Matrix.
11. Which are the two approaches to participation in budget setting? Point out its advantages and disadvantages
12. MC is a mobile phone network provider, offering mobile phones and services on a range of different tariffs to customers across Europe. The company enjoyed financial success until three years ago but increasing competitive pressure has led to a recent decline in sales. There has also been an increase in the level of complaints regarding the customer service provided, and the company's churn rate (number of customers leaving the company within a given time frame) is at an all-time high.

    Required:

    Discuss how Big Data could help drive the strategic direction of MC company.
13. Evaluate the three different reward methods.

SECTION – C

Answer any TWO questions of the following: **(2x16=32)**

14. Critically evaluate different methods of budgeting.

Contd...2

15. Envie Co owns a chain of retail clothing stores specialising in ladies' designer fashion and accessories. Jane Smith, the original founder, has been pleasantly surprised by the continuing growth in the fashion industry during the last decade. The company was established 12 years ago, originally with one store in the capital city. Jane's design skills and entrepreneurial skills have been the driving force behind the expansion. Due to unique designs and good quality control, the business now has ten stores in various cities. Each store has a shop manger that is completely responsible for managing the staff and stock levels within each store. They produce monthly reports on sales. Some stores are continually late in supplying their monthly figures.

    Envie runs several analysis programmes to enable management information to be collated. The information typically provides statistical data on sales trends between categories of items and stores. The analysis and preparation of these reports are conducted in the marketing department. In some cases the information is out of date in terms of trends and variations.

    As the business has developed Jane has used the service of a local IT company to implement and develop their systems. She now wants to invest in website development with the view of reaching global markets.

    Required:

    (a) Construct a SWOT analysis with reference to the proposal of website development.

    (b) Explain how the use of SWOT analysis may be of assistance to Envie Co's performance management and measurement process.

16. Explain the different types of business structures and their impact on performance management.

SECTION – D

Answer the following: Compulsory **(10)**

17. How might an organisation take steps to avoid conflict between strategic business plans and short-term localised decisions?

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10 .

G 303.5b Reg. No. : | | | | | | |

St Aloysius College (Autonomous)

Mangaluru

B.Com. (BPS) Semester V – Degree Examination

February - 2022

CAMPUS TO CORPORATE

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE of the following. **(5x2=10)**

1. What is the concept of corporate?
2. What is homophone?
3. Differentiate Vowels and Consonants.
4. What is Corporate Etiquette?
5. What is the use of article?
6. What is Reading comprehension?
7. What is Vocabulary?

SECTION – B

Answer any FOUR of the following. **(4x12=48)**

8. Identify whether the following is active or passive voice:

   a) We are taught grammar by Ms Venkatraman.

   b) Who taught you French?

   c) The letter was posted by Ram.

   d) They found him guilty of theft.

   e) The town was destroyed by an earthquake.

   f) The police caught the thieves.

9. a) List out the expectations and domain knowledge from freshers by Corporate. **(8 Marks)**

   b) What are the interpersonal and professional skills required to develop as a professional? **(4 Marks)**

10. a) What are the essentials of listening to speakers effectively? **(5 Marks)**

    b) What is an Idiom? Explain with examples. **(7 Marks)**

11. a) What are good writing skills? What is its purpose and qualities of good writing? **(7 Marks)**

    b) What are the points to be noted for writing letters? **(5 Marks)**

12. Identify the sentence structure:

    a) I finished the assignment early and took time to visit my grandparents in Delhi.

    b) As soon as I heard the news, I rushed straight to the police.

    c) We took a taxi home after the workshop.

    d) Make a choice between Money or Job satisfaction.

e) Mother Teresa, who dedicated her life to helping the poor and needy, died a few years ago.

f) The freshers will meet the CEO of the company next week.

13. Explain a) Pronunciation b) Syllable c) Vocabulary

SECTION – C

(2x16=32)

Answer any TWO of the following.

14. a) How do we create a positive environment at workplace? **(8 Marks)**

    b) What is telephone etiquette? How to make the best of each call? **(8 Marks)**

15. Write short notes on a) Articles-When to use "A or An"

    b) Articles-When to use "The"

16. Explain: a) Parts of Speech b) Pillars of Language

SECTION – D

(10)

Answer the following: (Compulsory)

17. What is presentation skill? How to make an impactful presentation?

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11

G 304.5 Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester V – Degree Examination

February - 2022

BUSINESS LAW

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE of the following. **(5x2=10)**

1. Define contract.
2. State any four modes of revocation of offer.
3. What do you mean by quid pro quo?
4. What do you mean by void agreement?
5. What is anticipatory breach of contract?
6. Define Public Authority under RTI Act.
7. What is coercion?

SECTION - B

Answer any FOUR of the following. **(4x12=48)**

8. Define Law. Explain the different sources of law.
9. Explain the legal rules relating to Valid Contract.
10. Explain the exceptional situations in which a contract is valid without consideration.
11. Define fraud and explain its effect on validity of contract with suitable case laws.
12. "Impossibility of performance is, as a rule, not an excuse for the non performance of the contract ". Explain
13. Explain the powers and functions of Central and State Information Commission under RTI Act.

SECTION – C

Answer any TWO of the following. **(2x16=32)**

14. Define offer .what are the essentials elements of a valid offer?
15. What are the agreements which have been expressly declared to be void as per the Indian Contract Act? Explain.
16. Explain the rules applicable to cases where the subject matter of a contract of sale is destroyed before and after the contract.

SECTION – D

Answer the following: (Compulsory) **(10)**

17. When is the communication of an acceptance deemed to be complete? Explain with the help of an case law.

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G 305.5

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester V– Degree Examination

February - 2022

FINANCIAL MANAGEMENT

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any FIVE of the following. **(5x2=10)**

1. State any Two objectives of Financial Management.
2. What is Profit Maximization?
3. What do you mean by financial leverages?
4. What do you mean by Capital Structure Planning?
5. What is bond or scrip dividend?
6. Define Capital Structure.
7. What is net present value of a project?

SECTION - B

Answer any FOUR of the following. **(4x12=48)**

8. State and explain in brief the different goals of Financial Management.
9. Omega Company has cost of equity of 10% market value of firm is ₹ 20,00,000 (₹ 20 per share) Investment ₹6,80,000, earnings ₹ 1,50,000, Dividend ₹ 1 per share. Show that under MM assumption payment of dividend does not affect value of the firm.
10. Company X and Y are in same Risk class and are identical in every respect except that company X uses debt while company Y does not. The levered firm has ₹ 9,00,000 debenture, carrying 10% rate of Interest. Both the firms earns 20%operating profit on their total asset of ₹ 15,00,000. Assume Perfect Capital Market, Tax rate of 35% and Capitalization rate of 15% for an all equity company.
    1) Compute value of the firm X and Y using Net income approach.
    2) Compute value of each firm using Net operating income approach. and also calculate overall cost of capital.
11. Explain the features of debt and equity.
12. An industry is considering investment in a project which cost ₹ 6,00,000. The cash inflows before depreciation are ₹1,20,000, ₹ 1,40,000, ₹1,80,000 ₹ 2,00,000 ₹2,50,000. Calculate IRR. Assume tax rate 50%.
13. A company has EBIT of ₹4,80,000 and its capital structure consist of the following securities:

    Equity share capital (₹10 each) ₹4,00,000
    12% preference Shares ₹6,00,000
    14.5% Debentures ₹10,00,000
    The company is facing fluctuation in its sales
    What would be percentage change in EPS?

If EBIT of the company decreases by 25%? The company tax rate is 35%.

Contd...2

G 305.5

SECTION – C

(2x16=32)

Answer any TWO of the following.

14. What are the factors that determine the dividend policy of a company?

15. Omax Auto Ltd has an equity Share capital of ₹ 5,00,000 divided into shares of ₹ 100 each. It wishes to raise further ₹ 3,00,000 for modernization. The company plans the following finance schemes:

    a) All equity Shares
    b) ₹ 1,00,000 in equity shares and ₹ 2,00,000 in 10% Debentures.
    c) All in 10% Debentures
    d) ₹ 1,00,000 in Equity Shares and ₹ 2,00,000 in 10% preference Shares.

    The company EBIT is ₹ 2,00,000. The Corporate Tax is 50%. Calculate EPS in each case. Give a comment as to which capital structure is suitable.

16. Kingflyer Airlines, an aviation company is contemplation buying an Aircraft. The management has identified two options Airbus 380 and Airbus 390. The estimated profits after taxes are as follows:

Particulars	'Airbus 380'	'Airbus 390'
Initial Investment	25,000	30,000
Years 1	9,000	9,000
2	8,000	10,000
3	7,000	10,000
4	6,000	5,000
5	5,000	2,000

The company is using its retained earnings to finance the proposal and its expected rate of return is10%. The present value of ₹1 at 10% discount factor is as follows:

Year	1	2	3	4	5
Discount Factor	0.909	0.826	0.751	0.683	0.621

Advice the management on the acceptability of the proposals, Using the NPV and Profitability Index. Assuming tax rate 50%.

SECTION – D

Answer the following: (Compulsory)

17. A company has sales of ₹ 10,00,000, variable cost of ₹ 7,00,000, fixed costs of ₹2,00,000 and debt of ₹ 5,00,000 at 10% rate of interest. What are the operating financial and combined leverages? (10)

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13

G 305.5

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester V – Degree Examination

February - 2022

INFORMATION SYSTEMS AND COMPUTERIZED ACCOUNTING

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. What is an operating system?
2. Differentiate between LAN and WAN.
3. Define Protocol.
4. What do you mean by URL?
5. What is the importance of access controls?
6. List the characteristics of accounting software Tally.
7. Write the steps to Create Group Company.

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. What do you mean by computer virus? List the types of viruses. Explain the mechanism of detection and prevention of viruses on network.
9. Explain in detail the working of World Wide Web.
10. Describe the components, characteristics and functions of Decision Support System (DSS).
11. Explain in detail the client server architecture.
12. What are the standard accounting vouchers used in Tally? Explain.
13. What is a stock group? State the procedure of creating stock summary.

SECTION – C

Answer any TWO questions of the following: **(2x16=32)**

14. Explain in detail the various types of operating systems.
15. Explain the strategies of SCM.
16. What is a Budget? How will you create, alter and delete budgets in Tally? Explain

SECTION – D

Answer the following: Compulsory **(10)**

17. How one can create multiple ledger using Tally? Explain.

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G 305.5a Reg. No. : 14

St Aloysius College (Autonomous)

Mangaluru

B.Com. (ACCA) Semester V – Degree Examination

February - 2022

ADVANCED FINANCIAL MANAGEMENT- I

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE of the following. **(5x2=10)**

1. A company has just paid a dividend of 20 cents. The company expects dividends to grow at 7% in the future. The company's current cost of equity is 12%. Calculate the market value of the share.
2. How does transfer of shares work under merger?
3. Explain why shareholders might support the unbundling of a diversified organisation.
4. You have been asked to determine whether a company is failing. What areas would your analysis cover?
5. Identify ONE advantage and ONE disadvantage of management buy-outs.
6. Molier is an unquoted entity with a recently reported after-tax earnings of $3,840,000. It has issued 1 million ordinary shares. A similar listed entity has a P/E ratio of 9. Calculate the value of one ordinary share in Molier using the P/E

   basis of valuation.

7. Mention any TWO limitations of ratio analysis as a predictor of corporate failure

SECTION – B

Answer any FOUR of the following. **(4x12=48)**

8. The directors of Ribs Co, a listed company, are reviewing the company's current strategic position. The firm makes high quality garden tools which it sells in its domestic market but not abroad.

   Over the last few years, the share price has risen significantly as the firm has expanded organically within its domestic market. Unfortunately, in the last 12 months, the influx of cheaper, foreign tools has adversely impacted the firm's profitability. Consequently, the share price has dropped sharply in recent weeks and the shareholders expressed their displeasure at the recent AGM.

   The directors are evaluating two alternative investment projects which they hope will arrest the decline in profitability.

   Project 1: This would involve closing the firm's domestic factory and switching production to a foreign country where labour rates are a quarter of those in the domestic market. Sales would continue to be targeted exclusively at the domestic market.

Project 2: This would involve a new investment in machinery at the domestic factory to allow production to be increased by 50%. The extra tools would be exported and sold as high quality tools in foreign market places.

Both projects have a positive Net Present Value (NPV) when discounted at the firm's current cost of capital.

Discuss the strategic and financial issues that this case presents.

(5 Marks)

9. a) Explain what a dark pool network is?

b) Discuss how adopting aspects of triple bottom line reporting may provide a better assessment of the success of an investment after its implementation.

(7 Marks)

10. Explain the major differences between Islamic finance and other conventional forms of finance. Identify and briefly discuss, two Islamic financial instruments.

11. Mavers Co and Power Co are listed on the Stock Exchange. Relevant information is as follows:

	Mavers Co	Power Co
Share price today	$3.05	$6.80
Shares in issue	48 million	13 million

Mavers Co wants to acquire 100% of the shares of Power Co. The directors are considering offering 2 new Mavers Co shares for every 1 Power Co share.

Evaluate whether the 2 for 1 share for share exchange will be likely to succeed.

If necessary, recommend revised terms for the offer which would be likely to succeed.

12. X Co, an unquoted manufacturing company, has been experiencing a growth in demand, and this trend is expected to continue. In order to cope with the growth in demand, the company needs to buy further machinery and this is expected to cost 30% of the current company value.

In the past, a high proportion of earnings has been distributed by way of dividends so few cash reserves are available. 51% of the shares in X Co are still owned by the founding family.

A decision must now be taken about how to raise the funds. The firm has already raised some loan finance and this is secured against the company land and buildings.

Suggest the issues that should be considered by the board in determining whether debt would be an appropriate source of finance.

13. a) Distinguish between a divestment through a sell-off and a management buy-in as forms of unbundling.

(5 Marks)

b) Explain how business risk and financial risk are related; and how risk mitigation and risk diversification can form part of a company's risk management strategy.

(7 Marks)

Contd...3

SECTION – C

Answer any TWO of the following. **(2x16=32)**

14. Newimber Co is a listed company which has always manufactured formal clothing for adults and children. It obtained a listing ten years ago after years of steady growth. 70% of shares in the company are owned by its directors or their relatives, with the remaining 30% owned by external investors, including institutional investors.

Sportswear division

Eight years ago it set up a division to manufacture sportswear. This investment has been very successful and the sportswear division now accounts for 40% of total group revenue, having grown much quicker than the original formal clothing division.

Newimber Co's board has given divisional management at the sportswear division more authority over time, although the board has continued to make major policy and investment decisions relating to the division. Initially, relations between Newimber Co's board and management of the sportswear division were good, but there have been problems over the last couple of years. The sportswear division's management has been frustrated by the board's refusal to approve their recent investment plans on the grounds that they were too risky. In order to achieve operational efficiencies, the sportswear division's management would also like to pursue stricter policies for managing operational

staff and suppliers than Newimber Co's board has so far allowed.

In addition, Newimber Co started to prepare an integrated report three years ago, but Newimber Co's board has had difficulties in obtaining all the information it requires for the report from the sportswear division.

Restructuring

A few months ago, the management of the sportswear division approached Newimber Co's board with a proposal for a management buyout of the sportswear division. However, the price the sportswear division's management was able to offer was insufficient to persuade Newimber Co's board to sell the sportswear division to them.

Newimber Co's board has, subsequently, decided that the sportswear division should be demerged into a new company, Poynins Co. The shareholders and proportion of shares held would be the same for Poynins Co as currently for Newimber Co. The sportswear division's senior management team would become the board of Poynins Co and Poynins Co would seek an immediate listing on the same stock exchange as Newimber Co.

Financial information

The market capitalization of Newimber Co's share capital is currently $585 million.

Contd...4

Newimber Co also currently has $200 million 5.9% loan notes. The loan notes are redeemable in five years' time at a premium of 5%. Newimber Co's equity beta is currently estimated at 1.4. Newimber Co's current cost of equity is 11.8% and its current before-tax cost of debt is 4.5%.

The asset beta of the formal clothing division is estimated to be 1.21. The weighting in estimating Newimber Co's overall asset beta is 60% for the formal clothing division to 40% for the sportswear division. The debt beta can be assumed to be zero.

In return for 40% of the issued share capital of Newimber Co, its current shareholders will receive 100% of the issued share capital of Poynins Co, corresponding to the assets and liabilities being transferred. The shares in Newimber Co which shareholders have given up will be cancelled. After the demerger, Newimber Co's new market capitalization can be assumed to be $351 million. Poynins Co will have no long-term debt, the liability for the $200 million loan notes remaining with Newimber Co.

The current risk-free rate of return is estimated to be 3.4%. The market risk premium is estimated to be 6%. A tax rate of 28% is applicable to all companies.

The sportswear division currently has $36 million operating cash flows. Its managers believe that operating cash flows can increase by the following rates once Poynins Co has been listed:

Year	%
1	25
2	20
3	15
4 onwards	2

The sportswear division's managers believe that Poynins Co will require a $20 million investment of additional assets in Year 1, rising to $22 million in each of Years 2 and 3, and to $25 million annually from Year 4 onwards.

a) Discuss the advantages and disadvantages of demerging the sportswear division into a new company.

(5 Marks)

b) Discuss the factors which may determine the policies Poynins Co should adopt for communication of information to its shareholders and other significant stakeholders.

(5 Marks)

c) Discuss the advantages and disadvantages of organic growth and growth by acquisition.

(6 Marks)

15. Ray Co is a company with a diversified range of business units. One of its business units, a training business, is underperforming. The Finance Director estimates that this business unit could be disposed of by selling its non-current assets for their book value of $25 million.

At the recent Board meeting, the directors discussed the possible disposal, and two proposals for the use of the $25 million proceeds:

Proposal 1: Use half the proceeds to pay off some debt finance, and the other half to invest in some new non-current assets for an existing publishing business unit.

Proposal 2: Use the full amount to purchase some new non-current assets and set up a new business unit in the advertising industry.

At the end of the Board meeting, the Finance Director was asked to prepare some calculations to show the likely impact of these two proposals on Ray Co's forecast statement of financial position and forecast earnings for the coming year.

Ray Co, financial information

Extract from the forecast statement of financial position for next year:

	$000
Non-current assets	92,650
Current assets	16,620
Total assets	109,270
Equity and liabilities	
Share capital-$1 par value	50,000
Reserves	20,550
Total equity	70,550
Non-current liabilities	30,000
Current liabilities	8,720
	109,270

Ray Co's forecast after-tax profit for next year is $15.6 million.

Other information:

i) The training business contributes 10% of Ray Co's overall after-tax profit.

ii) Ray Co pays tax at a rate of 20% per year and its after-tax return on the publishing business unit is estimated at 8%. The after-tax return on the advertising investment is expected to be 13%.

iii) The non-current liabilities are bank loans with a fixed interest rate of 6%.

Required:

a) Estimate the impact of the two proposals on next year's forecast earnings and forecast financial position. **(8 Marks)**

b) Evaluate the decision to sell the training business unit, and advise the Board of Directors which (if either) proposal should be accepted. **(8 Marks)**

16. a) A company is preparing a free cash flow forecast in order to calculate the value of equity.

The following information is available:

Sales: Current sales are $500 million. Growth is expected to be 8% in year 1, falling by 2% per year (e.g. to 6% in year 2) until sales level out in year 5 where they are expected to remain constant in perpetuity.

The operating profit margin will be 10% for the first two years and 12% thereafter.

Depreciation in year 1 will be $7 million increasing by $1 million per year over the planning horizon before levelling off and replacement asset investment is assumed to equal depreciation. Incremental investment in assets is expected to be 8% of the increase in sales in year 1, 6% of the increase in sales in each of the following two years, and 4% of the increase in year 4.

Tax will be charged at 30%. The WACC is 15%.

The market value of short-term investments is $4 million and the market value of debt is $48 million.

Calculate the value of equity. **(8 Marks)**

b) Chassagne Co is considering making a bid for Butler Co, a rival company. The following information should be used to value Butler Co.

Statement of profit or loss for the most recent accounting period

	$m
Revenue	285.10
Cost of sales	-120.90
Gross profit	164.20
Operating expenses (inc depreciation $12.3m)	-66.90
Profit from operations	97.30
Finance costs	-10.00
Profit before tax	87.30
Taxation	-21.60
Profit after tax	65.70

Other information

i) Selling prices are expected to rise at 3% per year for the next 3 years and then stay constant thereafter.

ii) Sales volumes are expected to rise at 5% per year for the next 3 years and then stay constant thereafter.

iii) Assume that cost of sales is a completely variable cost, and that other operating expenses (including depreciation) are expected to stay constant.

iv) Butler Co invested $15m in non-current assets and $2m in working capital last year. These annual amounts are expected to stay constant in future.

v) Butler Co's financing costs are expected to stay constant each year in the future.

vi) The marginal rate of tax is 28%, payable in the year in which the liability arises.

vii) Assume that book depreciation equals tax depreciation.

vii) Butler Co has 500 million shares in issue.

ix) The WACC of Butler Co is 9% and its cost of equity is 12%.

17

Calculate the value of the equity in Butler Co (in total and per share) by forecasting future free cash flow to equity and discounting to present value using the cost of equity. **(8 Marks)**

SECTION – D

Answer the following: (Compulsory) **(10)**

17. Suggest reasons why it would be important to keep each of the stakeholders informed of general corporate goals and intentions.

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18

G 306.5 Reg. No. : | | | | | | |

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester V – Degree Examination
February - 2022
BUSINESS TAXATION

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. What is Alternate Minimum Tax?
2. State any four instances, where quoting PAN is compulsory.
3. Mention the conditions under Section 184 relating to assessment of partnership firm.
4. State the conditions to tax income of AOP at the rates applicable to individuals.
5. Distinguish between tax evasion and tax avoidance.
6. Mention whether the following are taxable as income of HUF:
   a) Income of impartible estate
   b) Personal income of the members
   c) Any fee or remuneration received by a member of the HUF as a director in which investment is made by HUF out of family fund. However the member did exert and possess the qualification and expertise.
   d) "Stridhan" received by female member of HUF

7. What incomes received by partners from the firm are taxable in the hands of individual partner under section 28.

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. A, B and C are members of AOP sharing profits and losses in the proportion of 2: 2: 1 respectively. Profit and Loss Account for the year is as follows:

Salaries and wages		15,000	Gross Profit	54,650
Telephone charges		1,500	STCG	1,200
Advertising		1,000		
General charges		11,700		
Legal expenses		2,500		
Travelling expenses		1,400		
Interest on Bank loan		2,400		
Discount		150		
Reserve for Bad debts		1,100		
Bad debts written off		800		
Interest on capital :				
A	300			
B	400			
C	800	1,500		
Net Profit		16,800		
		55,850		**55,850**

Contd...2

Compute the taxable income and tax liability of the AOP and also the share of income of the members considering the following :

(i) Salaries and wages include salary of ₹ 500 per month to B;

(ii) General charges include a sum of ₹3,000 paid to save business reputation and ₹ 900 as penalty for breach of law.

Note: A, B & C are individual and their income is within the basic exemption limit.

9. Explain the provisions relating to Minimum Alternate Tax under section 115 JB.

10. Write a note on general powers of Income Tax authorities.

11. A, B and C are the owners of a firm. They share profits or losses in the ratio of 5:3:2. The following particulars of the firm for the year ended 31-3-2021 are furnished:

    i. The net profit as per P/L a/c was ₹ 80,000.
    ii. Salaries of ₹12,000 paid to B and commission on sales of ₹6,000 paid to C, were debited to the accounts.
    iii. Interest on capital ₹5,000, ₹4000 and ₹3,000 paid to A, B and C respectively and interest of ₹8,000 paid to A on his loan were charged to the accounts. The rate of interest in both cases is 20%.
    iv. A long term loan of ₹10,000 was taken during the year and expenses incurred for obtaining the loan amounted to ₹1,000. This sum was debited to the accounts.
    v. The closing stock and opening stock of ₹ 5,00,000 and ₹7,00,000 respectively had both been valued at 10% under cost, though the market price in each case was higher than actual cost.

    Compute the taxable income and tax liability of the firm for the AY 2021-2022. The firm fulfills the conditions of section 184.

12. C Ltd showed a Net profit of ₹3,35,000 during 2020-21. Net profits are computed after considering the following items.

    a) Donation paid to approved charitable trust ₹20,000.
    b) Provision for income tax ₹1,00,000.
    c) Capital expenses on Family Planning ₹25,000
    d) Bad debts allowed earlier, recovered during the previous year ₹10,000.
    e) Interest on Bank deposits ₹30,000.
    f) Long term capital gain ₹1,00,000.
    g) Dividend from Indian company (Gross) ₹20,000.
    h) Legal expenses incurred on income tax appeal ₹15,000.

    There was Unabsorbed Depreciation ₹35,000 and Unabsorbed capital loss (short- term) of ₹40,000 brought forward from earlier assessment year. Compute the Total Income & tax liability of the company for Assessment year 2021-22.

    (Note: Turnover of PY 2018-19 does not exceed ₹ 400 cr)

Contd...3

13. From the following information compute the taxable income and tax liability of Hindu Undivided Family for the Assessment Year 2021-22.
    a. Net Profit as per Profit & loss a/c of the business of the family ₹6,96,500.
    b. This profit has been arrived at after debiting the following items:
        - Salary to the son of Karta ₹2,000 per month. He does not participate in business operations.
        - Commission on sales at 1.5% amounting to ₹8,000 to the brother of Karta who participates in business.
        - Advance Income tax ₹46,000.
        - Remuneration to consultant ₹6,000 for Income-tax assessment work.
        - Patent purchased for business ₹50,000.
    c. Rent from let out property ₹12,000 p.a, municipal tax paid ₹1,000.
    d. Annual Municipal value of the joint family house ₹24,000, municipal taxes paid ₹3,000. Interest on loan taken for construction ₹22,000.
    e. Dividend from companies ₹10,000. Investment was made out of HUF fund.
    f. Interest on Bank time deposit ₹24,000. Investment was made out of HUF fund.
    g. Long Term Capital Gains ₹25,000.
    h. Donation to Govt. for Family planning ₹8,000, made by the HUF.
    i. Salary received by Karta for his services from a firm ₹40,000.
    j. Medical insurance premium on the health of the members paid by cheque ₹8,500.
    k. Insurance premium paid on L.I.C policies on the lives of members of HUF ₹51,000.

SECTION – C

Answer any <u>TWO</u> questions of the following: **(2x16=32)**

14. X co ltd has provided the following information for the year ended 31st March 2021
    - Net profit as per Profit & Loss a/c ₹ 50,00,000
    - Net profit was derived after debiting the following:
        a. Provision for income tax ₹ 6,50,000
        b. General reserve ₹40,000
        c. Provision for deferred tax ₹ 60,000
        d. Provision for gratuity ₹1,50,000
        e. Dividend ₹2,50,000
        f. Agricultural expenses ₹1,00,000
        g. Depreciation ₹ 4,50,000
    - The following were credited to P & L a/c
        a. Transfer from general reserve ₹2,00,000
        b. Agricultural income ₹ 4,00,000
        c. Long term capital gains ₹2,00,000
    - B/F business loss as per books of accounts ₹8,00,000 and B/F depreciation as per books of accounts ₹ 7,00,000

    You are required to compute Total Income, Book Profit and MAT u/s 115 JB.
    (Note: Turnover of company in the PY 2018-19, does not exceed ₹ 400 Cr)

G 306.5

15. A, B and C are working partners in a firm sharing profits and losses in the ratio of 3:2:1.
From the following particulars, compute the total income of the firm, tax payable by the firm and taxable income of the partners from the firm for the AY 2021-22. Firm fulfills conditions U/S 184.

Profit and Loss A/C

Particulars	Amount	Particulars	Amount
To Sundry Expenses	1,69,500	By Gross Profit	2,00,000
To Salaries A B	10,000 15,000	By Interest on securities (Gross)	18,000
To Commission to C	24,000	By rent from House Property	20,000
To Interest on Capital at 20% A B C	6,000 8,000 1,000	By Capital Gain Short-term Long-term	8,000 10,000
To Net Profit	32,500	By Dividends	10,000
Total	**2,66,000**	**Total**	**2,66,000**

Additional Information:

1. Sundry expenses include:
   a. Outstanding GST ₹800
   b. Expenses incurred for obtaining loan ₹2,000
   c. Donations to National Children's Fund ₹5,000
   d. Payment of ₹25,000 in cash
   e. Customs Penalty paid ₹2,500
   f. Interest on loan paid to the wife of partner A ₹4,000. Loan has been borrowed for business purpose.
   g. LIC premium on the lives of partners ₹10,000
2. A paid ₹3,000 as interest on money borrowed for investment in the firm.

16. Explain the types of assessment under Income tax act, 1961.

SECTION – D

Answer the following: Compulsory **(10)**

17. A, B and C are partners in a firm sharing profits and losses in proportion of 2:2:1. The firm's profit and loss account for the year ended 31st March 2021 showed a net loss of ₹ 80,000 after charging the following items:

	A	B	C
Interest on capital at 20%	2,000	4,000	6,000
Salary	6,000	-	-
Bonus	4,000	4,000	4,000

The net loss was arrived at after considering ₹3,800 being the dividend received and ₹2,000 as interest on drawings by C.
Compute the Total income of the firm and the income of partners from the firm taxable under Section 28. (A and B are working partners). Firm fulfills the conditions of sec 184.

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20

G 351.5 10

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

St Aloysius College (Autonomous)
Mangaluru
B.Com. (Vocational) Semester V – Degree Examination
February - 2022
CORPORATE ACCOUNTING

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE of the following. **(5x2=10)**

1. Meaning of share-based payment arrangement?
2. Explain the conditions under Rule 4 under Companies (Share Capital and Debentures) Rules, 2014, to deal with equity shares with differential rights.
3. What are the methods of internal reconstruction generally followed by companies?
4. Mention the preferential creditors?
5. What do you mean by Internal Reconstruction?
6. Mention types of Merger in amalgamation.
7. Explain the meaning of B-list contributories.

SECTION - B

Answer any FOUR of the following. **(4x12=48)**

8. Arihant Limited has its share capital divided into equity shares of Rs. 10 each. On 1- 10-20X1, it granted 20,000 employees' stock options at Rs. 50 per share, when the market price was Rs. 120 per share. The fair value of options, calculated using an option pricing model, is Rs. 70 per option The options were to be exercised between 10th December, 20X1 and 31st March, 20X2. The employees exercised their options for 16,000 shares only and the remaining options lapsed. The company closes its bookson 31st March every year. Show Journal Entries (with narration) as would appear inthe books of the company upto 31st March, 20X2.

9. SMM Ltd. has the following capital structure as on 31st March, 20X1: Rs. in crore

	Particulars	Situation I	Situation II
(i)	Equity share capital (shares of Rs. 10 each)	1,200	1,200
(ii)	Reserves:		
	General Reserves	1,080	1,080
	Securities Premium	400	400
	Profit & Loss	200	200
	Infrastructure Development Reserve (StatutoryReserve)	320	320
(iii)	Loan Funds	3,200	6,000

The company has offered buy-back price of Rs. 30 per equity share. You are required to calculate maximum permissible number of equity shares that can be bought back in both situations and also required to pass necessary Journal Entries.

10. The following scheme of reconstruction has been approved for Win Limited:

    (i) The shareholders to receive in lieu of their present holding at 1,00,000 shares of Rs. 10 each, the following:

        (a) New fully paid Rs. 10 Equity shares equal to 3/5th of their holding.

        (b) 10% Preference shares fully paid to the extent of 1/5th of the above newequity shares.

        (c) Rs. 40,000, 8% Debentures.

    (ii) An issue of Rs. 1 lakh 10% first debentures was made and allotted, payment forthe same being received in cash forthwith.

    (iii) Goodwill which stood at Rs. 1,40,000 was completely written off.

    (iv) Plant and machinery which stood at Rs. 2,00,000 was written down to Rs. 1,50,000.

    (v) Freehold property which stood at Rs. 1,50,000 was written down by Rs. 50,000.

    You are required to draw up the necessary Journal entries in the Books of Win Limited for the above reconstruction. Suitable narrations to Journal entries should form part of your answer.

11. 'A' Ltd is to be liquidated. It gives the following ledger balances as at 30th September, 20X1:

	Rs.
Share capital: 5,00,000 equity shares of Rs. 100 each	50,00,000
Secured debentures (on Land and Buildings)	20,00,000
Unsecured loans	40,00,000
Trade creditors	70,00,000
Land and buildings	10,00,000
Other Property, plant and Equipment (PPE)	40,00,000
Current assets	90,00,000
Profit and loss account (Dr. balance)	40,00,000
Contingent liabilities are:	
For bills discounted	2,00,000
For excise duty demands	3,00,000

On investigation, it is found that the contingent liabilities are certain to devolve and that the assets are likely to be realised as follows:

	Rs.
Land and Building	22,00,000
Other PPE	36,00,000
Current assets	70,00,000

Taking the above into account, prepare the statement of affairs.

Contd...3

12. In the winding up of a company, certain Creditors could not receive payments out of the realization of assets and out of contribution from "A" list contributories. Liquidation started on 1st April, 2020. The following persons have transferred their holdings before winding up :

Name	Date of Transfer	No. of shares transferred	Amount due to creditorson the date of transfer (Rs.)
O	4th April, 2019	1,000	42,000
P	2nd Feb, 2019	300	25,000
Q	8th Sep, 2019	200	57,000
R	11th Nov, 2019	1,400	85,000
S	2nd Feb, 2020	800	66,000
T	1st March, 2020	1,400	95,000

The shares were of Rs. 100 each, Rs. 70 being called up and paid up on the date of transfers.

'X' was the transferee of shares held by S. 'X' paid Rs. 30 per share as calls in advance immediately on becoming a member.

Ignoring Expenses of Liquidation, Remuneration of Liquidator, etc. work out theamount to be realized from the above contributories.

13. While closing its books of accounts as at year end, a Non-Banking FinanceCompany has its advances classified as follows:

	Rs. (in lakhs)
Standard assets	18,400
Sub-standard assets	1,250
Secured Portion of doubtful debts:	
Upto one year	300
One year to three years	90
More than three years	30
Unsecured portions of doubtful debts	92
Loss assets	47

Calculate the amount of provision which must be made against the Advances asper -

(i) The Non-banking Financial Company - Non-systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016; and

(ii) Non-banking Financial Company - Systemically Important Non- Deposittaking Company (Reserve Bank) Directions, 2016.

G 351.5

SECTION – C

(2x16=32)

Answer any TWO of the following.

14. Super Express Ltd. and Fast Express Ltd. were in competing business. They decidedto form a new company named Super Fast Express Ltd. The balance sheets of both the companies were as under:

		Particulars	Notes	Super Express Ltd. Rs.	Fast Express Ltd. Rs.
		Equity and Liabilities			
1		**Shareholders' funds**			
	A	Share capital	1	20,00,000	10,00,000
	B	Reserves and Surplus	2	1,00,000	2,60,000
2		**Non-current liabilities**			
	A	Long term provisions	3	1,00,000	--
2		**Current liabilities**			
	A	Trade Payables		60,000	40,000
		Total		22,60,000	13,00,000
1		**Assets**			
		Non-current assets			
	A	Property, Plant and Equipment	4	14,00,000	11,00,000
	B	Intangible assets	5	--	1,00,000
2		**Current assets**			
	A	Inventories		3,00,000	40,000
	B	Trade receivables		2,40,000	40,000
	C	Cash and Cash equivalents	6	3,20,000	20,000
		Total		22,60,000	13,00,000

Notes to accounts

		Super Express Ltd. Rs.	Fast Express Ltd.Rs.
1	**Share Capital**		
	Equity shares of Rs. 100 each	20,00,000	10,00,000
2	**Reserves and Surplus**		
	Insurance reserve	1,00,000	--
	Employee profit sharing reserve	--	60,000
	Reserve account	--	1,00,000
	Surplus	--	1,00,000
		1,00,000	2,60,000
3	**Long term provisions**		
	Provident fund	1,00,000	--
	Total	1,00,000	--
4	**Property, Plant and Equipment**		
	Land and Building	10,00,000	6,00,000
	Plant and machinery	4,00,000	5,00,000
		14,00,000	11,00,000
5	**Intangible assets**		
	Goodwill	--	1,00,000
		--	1,00,000
6.	**Cash and Cash Equivalents**		
	Cash at Bank	2,20,000	10,000
	Cash in hand	1,00,000	10,000
		3,20,000	20,000

The assets and liabilities of both the companies were taken over by the new company at their book values. The companies were allotted equity shares of Rs. 100 each in lieu of purchase consideration amounting to Rs. 30,000 (20,000 for Super- Fast Express Ltd and 10,000 for Fast Express Ltd.).

Prepare opening balance sheet of Super Fast Express Ltd. considering pooling method.

15. From the following information, prepare Profit and Loss A/c of KC Bank for the year ended 31st March, 20X1:

Items	Rs. 000
Interest on cash credit	18,20
Interest on overdraft	7,50
Interest on term loans	15,40
Income on investments	8,40
Interest on balance with RBI	1,50
Commission on remittances and transfer	75
Commission on letters of credit	1,18
Commission on government business	82
Profit on sale of land and building	27
Loss on exchange transactions	52
Interest paid on deposit	27,20
Auditors' fees and allowances	1,20
Directors' fees and allowances	2,50
Advertisements	1,80
Salaries, allowances and bonus to employees	12,40
Payment to Provident Fund	2,80
Printing and stationery	1,40
Repairs and maintenance	50
Postage, telegrams, telephones	80

Other Information:

(i) Interest on NPA is as follows

	Earned (Rs. '000)	Collected (Rs. '000)
Cash credit	8,20	4,00
Overdraft	450	1,00
Term Loans	750	2,50

(ii) Classification of Non Performing Advances

	('000 Rs.)
Standard	30,00
Sub-standard	11,20
Doubtful assets not covered by security	2,00
Doubtful assets covered by security for one year	50
Loss Assets	2,00

(iii) Investments 27,50

Contd...6

Bank should not keep more than 25% of its investment as 'held-for-maturity' investment.

The market value of its rest 75% investment is Rs. 19,75,000 as on 31-3-20X1.

16. The following are the Balance Sheets of A Ltd. and B Ltd. as at 31.3.20X1:

		Particulars	Notes	Rs. A Ltd (in'000)	Rs. B Ltd (in'000)
1		**Equity and Liabilities**			
		Shareholders' funds			
	A	Share capital	1	2,000	1,000
	B	Reserves and Surplus	2	1,000	(800)
		Non-current liabilities			
		Long-term borrowings	3	750	450
3		**Current liabilities**			
	A	Trade Payables		300	300
	B	Short term Borrowings –			
		Total		4,050	1,000
1		**Assets**			
		Non-current assets			
	A	Property, Plant and Equipment		2,700	850
	B	Non-current investments		700	--
2		**Current assets**			
	A	Trade receivables		400	150
	B	Cash and Cash equivalents (cash at bank)		250	--
			Total	4050	1000

Notes to accounts

1	Share capital	A Ltd. ('000)	B Ltd. ('000)
	Equity shares of Rs. 100 each	2000	1000
		2000	1000
2	**Reserves and Surplus**		
	General reserve	1000	--
	Profit and loss A/c (debit balance)	--	(800)
		1000	(800)
3	**Long term borrowings**		
	10% debentures	500	--
	Loan from banks	250	450
		750	450

B Ltd. has acquired the business of A Ltd. The following scheme of merger was approved:

(i) Banks agreed to waive off the loan of Rs. 60 thousands of B Ltd.

(ii) B Ltd. will reduce its shares to Rs. 10 per share and then consolidate 10 suchshares into one share of Rs. 100 each (new share).

(iii) Shareholders of A Ltd. will be given one share (new) of B Ltd. in exchange ofevery share held in A Ltd.

(iv) Trade payables of B Ltd. includes Rs. 100 thousands payable to A Ltd.

Pass necessary entries in the books of B Ltd. and prepare Balance Sheet after merger

SECTION – D

Answer the following: (Compulsory) **(10)**

17. a) From the following information, compute the amount of provisions to be made inthe Profit and Loss Account of a Commercial bank:

	Assets	Rs. in lakhs
(i)	Standard (Value of security Rs. 6,000 lakhs)	7,000
(ii)	Sub-standard	3,000
(iii)	Doubtful	
	(a) Doubtful for less than one year (Realisable value of security Rs. 500 lakhs)	1,000
	(b) Doubtful for more than one year, but less than 3 years (Realisable value of security Rs. 300 lakhs)	500
	(c) Doubtful for more than 3 years (No security)	300

b) ABC bank Ltd. has a balance of Rs. 40 crores in "Rebate on bills discounted" accountas on 31st March, 20X1. The Bank provides you the following information:

(i) During the financial year ending 31st March, 20X2 ABC Bank Ltd. discounted bills of exchange of Rs. 5,000 crores charging interest @ 14% and the average period of discount being 146 days.

(ii) Bills of exchange of Rs. 500 crores were due for realization from the acceptors/customers after 31st March, 20X2. The average period of outstanding after 31st March, 20X2 being 73 days. These bills of exchange of Rs. 500 crores were discounted charging interest@ 14% p.a.

You are requested to pass necessary Journal Entries in the books of ABC Bank Ltd.for the above transactions.

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24

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

St Aloysius College (Autonomous)

Mangaluru

B.Com.(Vocational) Semester V – Degree Examination

February - 2022

ACCOUNTING STANDARDS AND GUIDELINES

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any FIVE of the following. **(5x2=10)**

1. State any two indicators of Finance Lease.
2. The Board of Directors decided on 31.3.2018 to increase the sale price of certain items retrospectively from 1st January, 2017. In view of this price revision with effect from 1st January 2017, the company has to receive ₹ 15 lakhs from its customers in respect of sales made from 1st January, 2017 to 31st March, 2018. Accountant cannot make up his mind whether to include ₹ 15 lakhs in the sales for 2017-18. Advise.
3. What are the Conditions for recognizing contract revenue as per AS 7?
4. Identify the related parties in the following cases:
   A Ltd holds 51% of B Ltd
   B Ltd holds 51% of O Ltd
   Z Ltd holds 49% of O Ltd.

5. What are the methods to recognize revenue from services?
6. What is a discontinuing operation?
7. What do you mean by Anti – Dilutive effect of EPS as per AS 20? Will be it reported?

SECTION - B

Answer any FOUR of the following. **(4x12=48)**

8. (A) A firm of contractors obtained a contract for construction of bridges across river Revathi. The following details are available in the records kept for the year ended 31st March, 2017.

	(₹ in lakhs)
Total Contract Price	2,000
Work Certified	1,000
Work not Certified	210
Estimated further Cost to Completion	990
Progress Payment Received	800
To be Received	280

The firm seeks your advice and assistance in the presentation of accounts keeping in view the requirements of AS 7. **(6 Marks)**

Contd...2

(B) An organization operates an offshore oilfield where its licensing agreement requires it to remove the oil rig at the end of production and restore the seabed. Ninety percent of the eventual costs relate to the removal of the oil rig and restoration of damage caused by building it, and ten percent arise through the extraction of oil. At the balance sheet date, the rig has been constructed but no oil has been extracted. With reference to AS-29, how would you deal with this in the annual accounts of the company at the Balance Sheet date?

(6 Marks)

9. (A) Given the following information of M/s. Paper Products Ltd. (i) Goods of ₹ 60,000 were sold on 20-3-2015 but at the request of the buyer these were delivered on 10-4- 2015. (ii) On 15-1-2015 goods of ₹ 1,50,000 were sent on consignment basis of which 20% of the goods unsold are lying with the consignee as on 31-3-2015. (iii) ₹ 1,20,000 worth of goods were sold on approval basis on 1-12-2014. The period of approval was 3 months after which they were considered sold. Buyer sent approval for 75% goods up to 31-1-2015 and no approval or disapproval received for the remaining goods till 31-3-2015. (iv) Apart from the above, the company has made cash sales of 7,80,000 (gross). Trade discount of 5% was allowed on the cash sales. You are required to advise the accountant of M/s. Paper Products Ltd., with valid reasons, the amount to be recognized as revenue in above cases in the context of AS- 9 and also determine the total revenue to be recognized for the year ending 31-3- 2015.

(6 Marks)

(B) Sooraj Limited wishes to obtain a machine costing ₹ 30 lakhs by way of lease. The effective life of the machine is 14 years, but the company requires it only for the first 3 years. It enters into an agreement with Star Ltd., for a lease rental for ₹ 3 lakhs p.a. payable in arrears and the implicit rate of interest is 15%. The chief accountant of Sooraj Limited is not sure about the treatment of these lease rentals and seeks your advice. (use annuity factor at @ 15% for 3 years as 3.36).

(6 Marks)

10. A) In the following list of shares issued, for the purpose of calculation of weighted average number of shares, from which date, weight is to be considered:

(i) Equity Shares issued in exchange of cash,

(ii) Equity Shares issued as a result of conversion of a debt instrument,

(iii) Equity Shares issued in exchange for the settlement of a liability of the enterprise,

(iv) Equity Shares issued for rendering of services to the enterprise,

(v) Equity Shares issued in lieu of interest and/or principal of an other financial instrument,

(vi) Equity Shares issued as consideration for the acquisition of an asset other than in cash.

(6 Marks)

B) Old Era Publication Publishes a popular monthly magazine on 15th of every month. The publication sells the advertising space on terms of 90% payable in advance and the balance 10% payable within 30 days of release of the publication. The space for March 2020 issue of the magazine was sold in the month of February, 2020. The magazine was published as per schedule on 15th of the month. The amount of ₹ 2,70,000 has been received upto 31st March, 2020 and ₹ 30,000 was received on 10th April, 2020 for advertisement published in the March issue of the publication.

Please advise the accountant the amount of revenue to be recognized in the context of the provisions of AS 9 'Revenue Recognition' during the year ending on 31 st March, 2020. **(6 Marks)**

11. Saharsh Ltd. is engaged in manufacturing of electric home appliances. The company is in the process of finalizing its accounts for the year ended 31.3.2020 and needs your expert advice on the following issues in line with the provisions of AS 29:
    (i) A case has been filed against the company in the consumer court and a notice for levy of a penalty of ₹ 20 lakhs has been received. The company has appointed a lawyer to defend the case for a fee of ₹ 2 lakhs. 50% of the fees has been paid and balance 50% will be paid after finalization of the case. There are 75% chances that the penalty may not be levied.
    (ii) The company had committed to supply a consignment worth ₹ 1 crore to one of its dealers by the year-end. As per the contract, if delivery is not made on time, a compensation of 15% is to be paid on the value of delayed/lost consignment. While the consignment was in transit, one of the trucks carrying goods worth ₹ 30 lakhs met with an accident. It was however covered by Insurance. According to the surveyor's report, the policy amount is collectable, subject to 10% deduction. Before closing the books of accounts, the company has received the information that the policy amount has been processed and the dealer has also claimed the compensation for the consignment of goods worth ₹ 30 lakhs which was in transit.

12. (A) Tonk Tanners is engaged in manufacturing of leather shoes. They provide you the following information for the year ended 31st March,2020:
    (i) On 31st December, 2019 shoes worth ₹ 3,20,000 were sent to Mohan Shoes for sale on consignment basis of which 25% shoes were unsold and lying with Mohan Shoes as on 31st March, 2020.
    (ii) On 10th January, 2020, Tonk Tanner supplied shoes worth ₹ 4,50,000 to Shani Shoes and concurrently agrees to re-purchase the same goods on 11th April. 2020.
    (iii) On 21st March, 2020 shoes worth ₹ 1,60,000 were sold to Shoe Shine but due to refurbishing of their showroom being underway, on their request, shoes were delivered on 12th April, 2020.

You are required to advise the accountant of Tonk Tanners, when amount is to be recognised as revenue in 2019 -20 in above cases in the context of AS 9.

(6 Marks)

Contd...4

(B) An airline is required by law to overhaul its aircraft once in every five years. The pacific Airlines which operate aircrafts does not provide any provision as required by law in its final accounts. You are required to comment on the validity of the treatment done by the company in line with the provisions of AS 29. **(6 Marks)**

13. Rohini Limited is in the business of manufacture of passenger cars and commercial vehicles. The Company is working on a strategic plan to close the production of passenger cars and to produce only commercial vehicles over the coming 5 years. However, no specific plans have been drawn up for sale of neither the division nor its assets. As part of its prospective plan it will reduce the production of passenger cars by 20% annually. It also plans to establish another new factory for the manufacture of commercial vehicles and transfer surplus employees in a phased manner. You are required to comment:
    (i) If mere gradual phasing out in itself can be considered as a 'discontinuing operation' within the meaning of AS-24.
    (ii) If the Company passes a resolution to sell some of the assets in the passenger car division and also to transfer few other assets of the passenger car division to the new factory, does this trigger the application of AS-24?
    (iii) Would your answer to the above be different if the Company resolves to sell the assets of the passenger car division in a phased but time bound manner?

SECTION – C

Answer any <u>TWO</u> of the following. **(2x16=32)**

14. A) i) Khushi Limited enter into an agreement with Mr. Happy for running a business for a fixed amount payable to the latter every year. The contract states that the day-to-day management of the business will be handled by Mr. Happy, while all financial and operating policy decisions are taken by the Board of Directors of the Company. Mr. Happy does not own any voting power in Khushi Limited.

    ii) Shri Bhanu a relative of key management personnel received remuneration of Rs.3,50,000 for his services in the company for the period from 1st April, 2020 to 30th June, 2020. On 1st July, 2020, he left the service.

    You are required to suggest how the above transactions will be treated as at the closing date i.e. on 31st March, 2021 for the purposes of AS 18- Related Party Disclosures. **(8 Marks)**

(B) Astha Ltd. is absorbed by Nistha Ltd.; the consideration being the takeover of liabilities, the payment of cost of absorption not exceeding Rs.10,000 (actual cost Rs.9,000); the payment of the 9% debentures of Rs.50,000 at a premium of 20% through 8% debentures issued at a premium of 25% of face value and the payment of Rs.15 per share in cash and allotment of three 11% preference shares of Rs.10 each and four equity shares of Rs.10 each at a premium of 20% fully paid for every five shares in Astha Ltd.

The number of shares of the vendor company are 1,50,000 of Rs.10 each fully paid. Calculate purchase consideration as per AS 14. **(8 Marks)**

15. (A) Swift Limited acquired patent rights to manufacture Solar Roof Top Panels at a cost of Rs.600 lacs. The product life cycle has been estimated to be 5 years and the amortization was decided in the ratio of future cash flows which are estimated as under:

Year	*1*	*2*	*3*	*4*	*5*
Cash Flows (₹ in lacs)	*300*	*300*	*300*	*150*	*150*

After 3rd year, it was estimated that the patents would have an estimated balance future life of 3 years and Swift Ltd. expected the estimated cash flow after 5th year to be ₹ 75 Lacs. Determine the amortization cost of the patent for each of the above years as per Accounting Standard 26. **(8 Marks)**

(B) The following data is provided for M/s. Raj Construction Co.

(i) Contract Price – Rs.85 lakhs

(ii) Materials issued – Rs.21 Lakhs out of which Materials costing Rs.4 Lakhs is still lying unused at the end of the period.

(iii) Labour Expenses for workers engaged at site – Rs.16 Lakhs (out of which Rs.1 Lakh is still unpaid)

(iv) Specific Contract Costs – Rs.5 Lakhs

(v) Sub-Contract Costs for work executed – Rs.7 Lakhs, Advances paid to sub-contractors – Rs.4 Lakhs

(vi) Further Cost estimated to be incurred to complete the contract - ₹ 35 Lakhs

You are required to compute the Percentage of Completion, the Contract Revenue and Cost to be recognized as per AS-7. **(8 Marks)**

16. (A) AB Limited is a company engaged in manufacturing industrial packaging equipment. As per the terms of an agreement entered with its debenture holders, the company is required to appropriate adequate portion of its profits to a specific reserve over the period of maturity of the debentures such that, at the redemption date, the reserve constitutes at least half the value of such debentures. As such appropriations are not available for distribution to the equity shareholders, AB Limited has excluded this from the numerator in the computation of Basic EPS. Is this treatment correct as per provisions of AS 20? **(8 Marks)**

(B) S. Square Private Limited has taken machinery on finance lease from S.K. Ltd. The information is as under:

Lease term = 4 years

Fair value at inception of lease = Rs.20,00,000

Lease rent = Rs.6,25,000 p.a. at the end of year

Guaranteed residual value = Rs.1,25,000

Expected residual value = Rs.3,75,000

Implicit interest rate = 15%

Discounted rates for 1st year, 2nd year, 3rd year and 4th year are 0.8696, 0.7561, 0.6575 and 0.5718 respectively.

You are required to calculate the value of the lease liability as per AS-19 and also disclose impact of this on Balance sheet and Profit & loss account at the end of year 1. **(8 Marks)**

SECTION – D

Answer the following: (Compulsory) **(10)**

17. A Ltd. and B Ltd. were amalgamated on and from 1st April, 20X1. A new company C Ltd. was formed to take over the business of the existing companies. A Ltd. and B Ltd. have the following ledger balances as on 31st March, 20X1:

	A Ltd.(₹ in lakhs)	***B Ltd.(₹ in lakhs)***
Land and Building	*550*	*400*
Plant and Machinery	*350*	*250*
Investments (Non-current)	*150*	*50*
Inventory	*350*	*250*
Trade Receivables	*300*	*350*
Cash and Bank	*300*	*200*
Share Capital:		
Equity Shares of ₹ 100 each	*800*	*750*
12% Preference shares of ₹ 100 each	*300*	*200*
Reserves and Surplus:		
Revaluation Reserve	*150*	*100*
General Reserve	*170*	*150*
Investment Allowance Reserve	*50*	*50*
Profit and Loss Account	*50*	*30*
Secured Loans:		
10% Debentures (₹ 100 each)	*60*	*30*
Trade Payables	*420*	*190*

Additional Information:

1) 10% Debenture holders of A Ltd. and B Ltd. are discharged by C Ltd. issuing such number of its 15% Debentures of ₹ 100 each so as to maintain the same amount of interest.
2) Preference shareholders of the two companies are issued equivalent number of 15% preference shares of C Ltd. at a price of ₹ 150 per share (face value of ₹ 100).
3) C Ltd. will issue 5 equity shares for each equity share of A Ltd. and 4 equity shares for each equity share of B Ltd. The shares are to be issued @ ₹ 30 each, having a face value of ₹ 10 per share.
4) Investment allowance reserve is to be maintained for 4 more years.

Prepare the Balance Sheet of C Ltd. as on 1st April, 20X1 after the amalgamation has been carried out on the basis of Amalgamation in the nature of purchase.

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G 353.5

98

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St Aloysius College (Autonomous)

Mangaluru

B.Com. (Vocational) Semester V – Degree Examination

February - 2022

INTRODUCTION TO AUDITING

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. Mention the objectives of audit.
2. Mention the situations where self-interest threats occur.
3. What is completion memorandum?
4. Mention any 4 advantages of audit.
5. Mention any 4 methods under which management can override the controls for committing fraud?
6. When making control risk assessment, what points have to be considered by an auditor?
7. Mention the elements of quality control system

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. Answer the following –
   a) What are the additional procedures to be performed as per SA 570? **(6 Marks)**
   b) What is professional skepticism? Mention the situations where it is required. **(6 Marks)**
9. Answer the following –
   a) How to develop an audit programme? Why do we need audit programme? **(6 Marks)**
   b) What are the responsibilities of an auditor under SA 550? **(6 Marks)**
10. Answer the following –
    a) One of the objectives of the auditor is to find out whether opening balance contains any misstatement that might affect current period financial statements materially. How to achieve this objective? **(6 Marks)**
    b) What are the duties of an auditor in detection of fraud & errors? **(6 Marks)**
11. Answer the following –
    a) What is control environment? When making control risk assessment, what are the points to be considered by any auditor? **(6 Marks)**
    b) Write a note on recurring audits and mention the factors where the terms can be revised. **(6 Marks)**

Contd...2

12. Answer the following –

    a) What audit procedures are to be considered to obtain evidence about whether events occurred between financial statements date & Audit report date? **(6 Marks)**

    b) What are the different types of threats to independence and also explain the safeguards? **(6 Marks)**

13. Answer the following –

    a) What is internal control as per SA 315? What are its limitations? **(6 Marks)**

    b) As an auditor, advise on how to develop an audit plan and also mention benefits of audit planning. **(6 Marks)**

SECTION – C

Answer any <u>TWO</u> questions of the following: **(2x16=32)**

14. a) What is the purpose and limitations of internal control system**?** **(8 Marks)**

    b) What are the factors relevant to auditors' judgement about whether control is relevant to the audit? **(8 Marks)**

15. Explain circumstances relating to possibility of fraud while auditing the financial statements.

16. Explain the elements of quality control.

SECTION – D

Answer the following: Compulsory **(10)**

17. What are the advantages & disadvantages of audit of financial statements?

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G 354.5 Reg. No. 29

St Aloysius College (Autonomous)

Mangaluru

B.Com. (Vocational) Semester V – Degree Examination

February - 2022

STRATEGIC MANAGEMENT

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. What do you understand by Strategic Management?
2. What do you understand by Mission?
3. What is forward integration?
4. What is synergy?
5. What is the meaning of Business definition?
6. What level of management takes the strategic decisions?
7. When a firm reaches the maturity stage, what strategy do you suggest best?

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. What is a strategy? Strategy may be both reactive and pro-active. Explain.
9. Write a short note on SWOT Analysis.
10. Write a short note on Igor Ansoff's Matrix.
11. In your opinion, is Strategic Management required only in organizations intending to make profit? If you disagree, tell us why & explain any two non - profit organizations where Strategic Management could be of use and how.
12. What is Retrenchment Strategy? What are the types?
13. Explain the concept of Cost Leadership Strategy.

SECTION – C

Answer any TWO questions of the following: **(2x16=32)**

14. Write a short note on BCG Matrix.
15. According to Michael Porter, what are the barriers to entry in a market?
16. Write a short note on Growth/ Expansion Strategy?

SECTION – D

Answer the following: Compulsory **(10)**

17. A new variant of virus has emerged, it's the year 2022 and you are a manager in your firm, dealing with education as their nature of business. You are almost getting fired because the firm is looking to downsize. You are given one last chance to present an innovative idea and that can save you from being fired. What's your best shot?

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2019 Batch 30

G 357.5 Reg. No. : | | | | | | |

St Aloysius College (Autonomous)

Mangaluru

B.Com. (Vocational) Semester V – Degree Examination

February - 2022

ENTERPRISE INFORMATION SYSTEMS

Time: 3 hrs. Max Marks: 100

SECTION – A

Answer any FIVE of the following. **(5x2=10)**

1. Briefly explain any two applications of blockchain.
2. Explain any two differences between Random Access Memory (RAM) and Read Only Memory (ROM).

3. Explain the term 'ECS Credit' with an example.
4. Define the term 'Exposure' and provide an example.
5. What are the four types of transactions that can be recorded using the 'Contra' voucher type?
6. What is the meaning of money laundering?
7. Briefly explain any two examples of Segregation of Duties Controls.

SECTION - B

Answer any FOUR of the following. **(4x12=48)**

8. Explain the parameters through which the deployment and implementation of Core Banking Systems (CBS) should be controlled at various stages to ensure that banks automation objectives are achieved.
9. Physical Access Controls relate to the physical security of the tangible resources and intangible resources stored on tangible media. Explain some of the means of controlling physical access in detail.
10. What principles help in addressing key cyber security risks in e-commerce?
11. Explain any six Information Technology General Controls (ITGCs).
12. What are the pros and cons of having a single software for Accounting and Tax Compliance?
13. Explain the key characteristics of Cloud Computing.

SECTION – C

Answer any TWO of the following. **(2x16=32)**

14. What are some of the major concerns that auditors should address under different activities in the Programming Management Control phase?
15. Explain the Internet Banking process in detail.
16. A bicycle shop in Delhi provides hired bicycles for day(s) at different rates as shown in table:

Contd...2

Season	Charges per day (in Rs.)
Spring (March-May)	7
Summer (June-August)	8.5
Autumn (Sept-Nov)	6
Winter (Dec-Feb)	4

To attract his customers, the proprietor also gives discount on the number of days a bicycle is hired for. If the hire period is more than 10 days, a reduction of 15% is made. For every bicycle hired, a deposit of Rs. 50 must be paid.

Develop a flowchart to print out the details for each customer such as name of customer, number of days a bicycle is hired for, hire-charges and total charges including the deposit. It is also assumed that there are 30 customers and complete details for each customer such as name of customer, season and number of days the bicycle is required for is inputted through console.

SECTION – D

Answer the following: (Compulsory) **(10)**

17. What is Data Mining? Explain the steps involved in Data Mining.

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31

G 359.5

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

St Aloysius College (Autonomous)

Mangaluru

B.Com. (Vocational) Semester V– Degree Examination

February - 2022

FINANCIAL MANAGEMENT - I

Time: 3 hrs. Max Marks: 100

SECTION – A

Answer any FIVE of the following. (5x2=10)

1. Explain the concept of "Double edged sword" in Financial leverage analysis?
2. Discuss the financial ratios for evaluating company performance on operating efficiency and liquidity position aspects.
3. Discuss the meaning of weighted average cost of capital? Illustrate with an example.
4. Explain the principles of "Trading on equity".
5. Discuss the meaning of Amortization of Bond?

6. Discuss the composition of Return on Equity (ROE) using the dupont model.
7. Describe Net Operating Income (NOI) theory of capital structure? Explain the assumptions of Net Operating Income approach theory of capital structure.

SECTION - B

Answer any FOUR of the following. (4x12=48)

8. Following information relates to Temer Ltd.:

Debtors Velocity	3 months
Creditors Velocity	2 months
Stock Turnover Ratio	1.5
Gross Profit Ratio	25%
Bills Receivables	₹ 25,000
Bills Payables	₹ 10,000
Gross Profit	₹4,00,000
Fixed Assets turnover Ratio	4

Closing stock of the period is ₹10,000 above the opening stock. Determine:

(i) Sales and cost of goods sold

(ii) Sundry Debtors

(iii) Sundry Creditors

(iv) Closing Stock

(v) Fixed Assets

9. Yoyo Limited presently has ₹36,00,000 in debt outstanding bearing an interest rate of 10 per cent. It wishes to finance a ₹40,00,000 expansion programme and is considering three alternatives: additional debt at 12 per cent interest, preference shares with an 11 per cent dividend, and the issue of equity shares at ₹16 per share. The company presently has 8,00,000 shares outstanding and is in a 40 per cent tax bracket.

Contd...2

(a) If earnings before interest and taxes are presently ₹15,00,000, determine earnings per share for the three alternatives, assuming no immediate increase in profitability.

(b) Analyse which alternative do you prefer. COMPUTE how much would EBIT need to increase before the next alternative would be best.

10. CALCULATE the operating leverage, financial leverage and combined leverage from the following data under Situation I and II and Financial Plan A and B:

Installed Capacity	4,000 units
Actual Production and Sales	75% of the Capacity
Selling Price	₹30 Per Unit
Variable Cost	₹15 Per Unit

Fixed Cost:

Under Situation-I	₹ 15,000
Under Situation-II	₹20,000

Capital Structure:

	Financial Plan	
	A (₹)	B (₹)
Equity	10,000	15,000
Debt (Rate of Interest at 20%)	10,000	5,000
	20,000	20,000

11. Kalyanam Ltd. has an operating profit of ₹34,50,000 and has employed Debt which gives total Interest Charge of ₹7,50,000. The firm has an existing Cost of Equity and Cost of Debt as 16% and 8% respectively. The firm has a new proposal before it, which requires funds of ₹75 Lakhs and is expected to bring an additional profit of ₹14,25,000. To finance the proposal, the firm is expecting to issue an additional debt at 8% and will not be issuing any new equity shares in the market. Assume no tax culture.

You are required to Calculate the Weighted Average Cost of Capital (WACC) of Kalyanam Ltd.:

(i) Before the new Proposal
(ii) After the new Proposal

12. Following information has been extracted from the accounts of newly incorporated Textyl Pvt. Ltd. for the Financial Year 2020-21:

Sales	₹15,00,000
P/V ratio	70%
Operating Leverage	1.4 times
Financial Leverage	1.25 times

Using the concept of leverage, find out and verify in each case:

(i) The percentage change in taxable income if sales increase by 15%.
(ii) The percentage change in EBIT if sales decrease by 10%.
(iii) The percentage change in taxable income if EBIT increase by 15%.

13. The capital structure of Beta Limited is as follows:

Equity share capital of ₹10 each	8,00,000
9% preference share capital of ₹10 each	3,00,000
	11,00,000

Additional information: Profit (after tax at 35 per cent) ₹2,70,000; Depreciation ₹60,000; Equity dividend paid 20 per cent; Market price of equity shares ₹40.

You are required to COMPUTE the following, showing the necessary workings:

(a) Dividend yield on the equity shares

(b) Cover for the preference and equity dividends

(c) Earnings per shares

(d) Price-earnings ratio

SECTION – C

Answer any TWO of the following. **(2x16=32)**

14. DETERMINE the cost of capital of Best Luck Limited using the book value (BV) and market value (MV) weights from the following information:

Sources	Book Value (₹)	Market Value (₹)
Equity shares	1,20,00,000	2,00,00,000
Retained earnings	30,00,000	-
Preference shares	36,00,000	33,75,000
Debentures	9,00,000	10,40,000

Additional information:

I. Equity: Equity shares are quoted at ₹130 per share and a new issue priced at ₹125 per share will be fully subscribed; flotation costs will be ₹5 per share.

II. Dividend: During the previous 5 years, dividends have steadily increased from ₹10.60 to ₹14.19 per share. Dividend at the end of the current year is expected to be ₹15 per share.

III. Preference shares: 15% Preference shares with face value of ₹100 would realise ₹105 per share.

IV. Debentures: The company proposes to issue 11-year 15% debentures but the yield on debentures of similar maturity and risk class is 16%; flotation cost is 2%.

V. Tax: Corporate tax rate is 35%. Ignore dividend tax.

Floatation cost would be calculated on face value.

15. Following information relates to Temer Ltd.:

Debtors Velocity	3 months
Creditors Velocity	2 months
Stock Turnover Ratio	1.5
Gross Profit Ratio	25%
Bills Receivables	₹25,000
Bills Payables	₹10,000
Gross Profit	₹4,00,000
Fixed Assets turnover Ratio	4

Closing stock of the period is ₹10,000 above the opening stock. DETERMINE:

(i) Sales and cost of goods sold
(ii) Sundry Debtors
(iii) Sundry Creditors
(iv) Closing Stock
(v) Fixed Assets

16. The following particulars relating to Navya Ltd. for the year ended 31st March 2021 is given:

Output	1,00,000 units at normal capacity
Selling price per unit	₹40
Variable cost per unit	₹20
Fixed cost	₹10,00,000

The capital structure of the company as on 31st March, 2021 is as follows:

Particulars	₹
Equity share capital (1,00,000 shares of ₹10 each)	10,00,000
Reserves and surplus	5,00,000
7% debentures	10,00,000
Current liabilities	5,00,000
Total	**30,00,000**

Navya Ltd. has decided to undertake an expansion project to use the market potential, that will involve ₹10 lakhs. The company expects an increase in output by 50%. Fixed cost will be increased by ₹5,00,000 and variable cost per unit will be decreased by 10%. The additional output can be sold at the existing selling price without any adverse impact on the market.

The following alternative schemes for financing the proposed expansion programme are planned:

(i) Entirely by equity shares of ₹10 each at par.
(ii) 5 lakh by issue of equity shares of ₹10 each and the balance by issue of 6% debentures of ₹100 each at par.
(iii) Entirely by 6% debentures of ₹100 each at par.

Find out which of the above-mentioned alternatives would you recommend for Navya Ltd. with reference to the risk and return involved, assuming a corporate tax of 40%.

SECTION – D

Answer the following: (Compulsory) **(10)**

17. Alpha Limited requires funds amounting to ₹80 lakh for its new project. To raise the funds, the company has following two alternatives:

    (i) To issue Equity Shares of ₹100 each (at par) amounting to ₹60 lakh and borrow the balance amount at the interest of 12% p.a., or

    (ii) To issue Equity Shares of ₹100 each (at par) and 12% Debentures in equal proportion.

The Income-tax rate is 30%.

Identify the point of indifference between the available two modes of financing and state which option will be beneficial in different situations.

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