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St Aloysius College (Autonomous)
Mangaluru
Semester I – P.G. Examination - M.Com.

February 2021
ACCOUNTING THEORY AND PRACTICE

Time: 3 hrs.

Max Marks: 70

SECTION - A

Answer any **FIVE** of the following

(4×5=20)

1. What are the sources of accounting principles?
2. Differentiate between positive methodology and normative methodology.
3. What is the auditors role in connection with accounting standards?
4. Distinguish between Asset and Expense.
5. List the essential qualitative characteristics of financial statements.
6. Explain the usefulness of cash flow statement.
7. Write a note on AS 9.

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SECTION - B

Answer any **FOUR** of the following

(10×4=40)

8. Explain in detail the types of long lived assets and their valuation.
9. Explain in detail the roots of accounting theory.
10. On 1.4.2015 a plant was purchased by X Co. Ltd for a sum of ₹ 50 lakhs. It was decided to depreciate the machinery at the rate of 10% on straight line method. On 30.9.2016 fresh machinery was purchased for a further sum of ₹ 30 lakhs and was depreciated at 10% on straight line method. However on 31.3.2018, the company decided to change the method of depreciation to 15% on written down value method with effect from 1.4.2015. What are the provisions of AS 6, para 21 with regard to change in the method of depreciation. What is the amount of resultant surplus/deficiency? Calculate the written down value of machinery as on 31.3.2018.
11. Explain in detail the basic Accounting concepts.
12. Explain recognition and measurement of intangible assets according to AS 26.
13. From the following information relating to Green Company Ltd. for the year ending 31 March 2020, you are required to prepare the Profit and Loss Account as per statutory format.

	₹		₹
Salaries and wages	2,40,000	Sales	25,00,000
Printing and Stationery	5,800	Discount received	8,000
Purchases	10,00,000	Closing Stock	3,00,000
Travelling expenses	87,000		
Sales returns	1,20,000		
Rent of office building	1,32,000		
Directors fees	56,000		
Debenture interest for 6 months ended 30 September 2019	15,000		
Depreciation	25,000		
Opening stock	2,00,000		
Provision for tax	5,00,000		

Contd...2

14. Following are the Balance sheets of Fair Deal Co. Ltd. Prepare a Cash Flow Statement according to AS 3.

Liabilities	31.3.2016	31.3.2017	Assets	31.3.2016	31.3.2017
	₹	₹		₹	₹
Equity share capital	1,00,000	2,00,000	Plant and machinery	1,00,000	2,00,000
Reserves and surplus	90,000	1,31,000	Land and building	1,20,000	1,50,000
Long term debts	50,000	75,000	Prepaid expenses	2,000	3,000
Provision for taxation	15,000	10,000	Debtors	80,000	1,00,000
Provision for doubtful debts	1,000	2,000	Stock	90,000	1,20,000
Provision for depreciation	75,000	1,00,000	Short term investments	4,000	2,000
Sundry creditors	75,000	65,000	Cash	10,000	8,000
	<u>4,06,000</u>	<u>5,83,000</u>		<u>4,06,000</u>	<u>5,83,000</u>

Additional information:

- Land was purchased for cash ₹ 30,000
- A machine was acquired for cash ₹ 90,000 and long term debt ₹ 10,000.
- Payment of dividend in cash ₹ 6,000.
- Equity shares were issued for cash ₹ 1,00,000.

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St Aloysius College (Autonomous)

Mangaluru

Semester I – P.G. Examination – M.Com.

February 2021

FINANCIAL MANAGEMENT AND POLICY

Time: 3 hrs.

Max Marks: 70

SECTION - A

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Answer any **FIVE** of the following: (5x4=20)

1. Explain the role of a financial manager in a modern firm.
2. Briefly explain Walter's dividend Policy.
3. Discuss the usefulness of leverages in financial decision making.
4. Inorganics Ltd has issued 30,000 irredeemable 14% debentures of ₹150 each. The cost of floating of debenture is 5% of the total issued amount. The company's taxation rate is 40%. Calculate the cost of debt.
5. Explain the procedure involved in the computation of WACC.
6. State the factors determining the capital structure of a firm.
7. A firm sells its product for ₹50 per unit, has variable operating cost of ₹30 per unit & fixed operating cost of ₹5,000 per year. Its current level of sales is 300 units. Determine the degree of operating leverage. What will happen to EBIT if sales change:
 - a) rise to 300 units and
 - b) decrease to 250 units

SECTION - B

Answer any **FOUR** of the following: (4x10=40)

8. What is financial management? What major decisions are required to be taken in finance.
9. A textile company belongs to a risk-class for which appropriate P/E ratio is 10%. It currently has 50,000 outstanding shares selling at ₹100 each. The firm is contemplating the decision of ₹8 dividend at the end of the current fiscal year which has just started.

Given the assumptions of MM, answer the following questions:

- a) What will the price of the share be at the end of the year
 - i) If dividend is not declared and
 - ii) If it is declared?
- b) Assuming that the firm pays the dividend has a net income of ₹5,00,000 and makes new investment of ₹10,00,000 during the period. How many new shares must be issued.
- c) What will the value of the firm be:
 - i) if dividend is declared, and
 - ii) if dividend is not declared?

Contd...2

10. The Well Established company's most recent balance sheet is as follows:

Liability	₹	Asset	₹
Equity capital (`10 per share)	60,000	Net fixed assets	1,50,000
10% long term debt	80,000	Current assets	50,000
Retained earnings	20,000		
Current liabilities	40,000		
	2,00,000		2,00,000

The company's total asset turnover ratio is 3, its fixed operating costs are ₹1,00,000 & the variable operating cost ratio is 40%. The income tax rate is 35%.

- a) Calculate all the three types of leverages
 b) Determine the likely level of EBIT if EPS is:

i) ₹1 ii) ₹3 and iii) zero

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11. What is strategic financial planning? How it is different from financial forecasting?
 12. Future Ltd has the following capital structure:

Particulars	Market value	Book value	Cost (%)
Equity share capital	80	120	18
Preference share capital	30	20	15
Fully secured debenture	40	40	14

Calculate the company's WACC based on both market value and book values. Cost of individual sources of capital is net of tax.

13. The two companies X and Y belongs to the same risk class. They have everything in common except that firm Y has 10% debenture of ₹5 lakhs. The valuation of the two firms is assuming to be as follows:

Particulars	X	Y
Net operating income (₹)	7,50,000	7,50,000
Interest on debt (₹)	-	50,000
Earning to equity share holders (₹)	7,50,000	7,00,000
Equity capitalization rate	0.125	0.14
Market value of equity (₹)	60,00,000	50,00,000
Market value of debt (₹)	-	5,00,000
Total market value of the firm (₹)	60,00,000	55,00,000
Implied overall capitalization rate	0.125	0.1363
Debt equity ratio	0	0.10

Investor owns 10% of the equity share of the overvalued firm. Determine his investment cost of earning the same income so that he is at a breakeven point. Will he gain by investing in the undervalued firm?

SECTION - C (Compulsory)

(1x10=10)

14. A company needs ₹5,00,000 for construction of new plant. The following three financial plans are feasible:

- a) A company may issue 50,000 ordinary shares at ₹10 per share.
- b) The company may issue 25,000 ordinary shares at ₹10 per share and 2,500 debentures at ₹100 denominations bearing 8% rate of interest.
- c) The company may issue 25,000 ordinary shares at ₹10 per share and 2,500 preference shares at ₹100 per share bearing a 8% rate of dividend.

If the company's EBIT are ₹10,000, ₹20,000, ₹40,000, ₹60,000 and ₹1,00,000, what is the EPS under each of the financial plans? Which alternative would you recommend and why? Assume corporate rate of tax is 50%.

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Semester I – P.G. Examination – M.Com.
February 2021

Time: 3 hrs

INCOME TAX

Max Marks: 70

SECTION A

(5×4=20)

Answer any FIVE questions out of seven questions.

1. From the following particulars compute the Total income of Mr. Naresh if he is
 - (a) Ordinary resident (b) Not-ordinary resident (c) Non resident
 - i) Salary received in Germany for services rendered in India ₹ 50,000
 - ii) Rent from house property in Bengaluru, half of which is received in India and the other half in Italy, ₹ 60,000
 - iii) Income from Business in Simla ₹ 80,000
 - iv) Profits from business in Burlin, controlled from Bengaluru ₹ 2,00,000
 - v) Dividend on Dutch Company shares [half of which is received in India] ₹ 1,00,000
 - vi) Past untaxed profits brought to India ₹ 20,000.
2. From the following particulars compute the perquisite value of accommodation:
 - i) Basic salary ₹ 3,00,000 p.a.
 - ii) Bonus ₹ 15,000
 - iii) Commission ₹ 10,000
 - iv) Furnished accommodation provided to the employee for which actual rent paid by the company ₹ 90,000
 - v) Rent recovered from the employee ₹ 20,000
 - vi) Medical allowance ₹ 3,000 p.m.
 - vii) Cost of furniture provided ₹ 1,00,000
 - viii) City population 15 lakh
3. From the following information, compute the amount of deduction available u/s 80C of Income tax Act.
 - i) Premium paid ₹ 12,000 on own life policy [Policy value ₹ 50,000]
 - ii) Premium paid on the life policy of his major son ₹ 16,000
 - iii) Premium paid on the life policy of married daughter ₹ 5,000
 - iv) Contribution to Recognized Provident Fund ₹ 30,000 [Interest accrued there on ₹ 10,000]
 - v) Contribution to URPF ₹ 15,000
 - vi) Purchase of NSC VIII issue ₹ 80,000
 - vii) Interest accrued on NSC ₹ 5,000, Interest on NSC matured ₹ 6,000.
4. Define and explain the term 'Previous year' Mention the rule of previous year and bring out any two exceptions to the rule.
5. Write short notes on: a) Unrealized rent b) Value of self-occupied house.
6. Explain the provisions regarding set-off of losses while computing the Total income.

Contd....2

7. The following incomes are received by Mr. Chetan during the previous year

	₹
a) Directors fees	30,000
b) Income from Agricultural land in Nepal	12,000
c) Income from Agricultural land in Punjab	16,000
d) Ground rent for land in Bhopal	28,000
e) Dividend from a foreign Company	16,000
f) Rent earned from sub-letting the house	24,000
g) Rent paid for the house to the landlord [$\frac{3}{5}$ portion was sublet]	30,000
h) Winnings from Horse race [net]	56,000

Compute taxable Income from other sources.

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SECTION B

Answer any **FOUR** questions out of six questions.

(4×10=40)

8. Sundar retired from service on 31st January 2018 after serving for 27 years and 8 months. He received a gratuity of ₹ 2,65,000. He had 9 months earned leave to his credit which he encashed and received ₹ 2,20,000. His basic as on 01.01.2017 was ₹13,500 and the increment of ₹ 500 fell due on 1st October. He received HRA at ₹4,000 per month, whereas the rent paid for the house was ₹ 5,000 per month. D.A. was fixed at ₹ 2,500 per month, 50% of which enters retirement benefits. He commuted $\frac{3}{4}$ of his pension and received ₹ 1,50,000. Compute taxable gratuity, taxable commuted pension, taxable leave encashment and taxable House Rent Allowance.
9. Compute Income from House property from the following particulars:

	House I	House II	House III	House IV
Municipal Value	30,000	15,000	12,000	12,000
Fair Rental value	28,000	21,000	18,000	20,000
Rent received	27,000	16,000	15,400	17,000
Standard Rent	32,000	18,000	21,000	18,000
Vacancy period (months)	3	---	1	1
Repairs	10,000	12,000	6,000	14,000
Municipal taxes:				
Paid	3,000	1,500	---	---
Due	---	---	1,200	1,600

The assessee had borrowed on 1-8-2011 ₹ 2,50,000 at 12% p.a. for the construction of the III House which was completed on 31-10-2014. As on 1-4-2015, ₹ 2,00,000 was outstanding. In respect of the IV House, one month rent was unrealized, the claim was genuine and satisfied the conditions; and the rent received was for 10 months.

Contd....3

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10. Compute Business Income from the following P/L A/c of Sri Roy:

₹		₹	
To Salaries	70,000	By Gross profit	2,87,500
To Rent	21,000	By Commission	15,000
To Entertainment Expenditure	13,000	By sale of scrap	8,000
To Trade expenses	16,500	By refund received (Sales Tax)	3,800
To Sales tax	40,000	By Penalty waived (Excise duty)	12,500
To Telephone charges	18,000	By Surplus on sale of shares	58,000
To Gifts	28,000		
To Travelling expenses	15,000		
To Depreciation on assets	20,500		
To Net profit	1,42,800		
	3,84,800		3,84,800

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Additional information:

- 1) Salaries includes ₹ 5,000 for the last year and ₹ 15,000 is yet to be paid.
 - 2) Travelling expenditure includes ₹ 5,000 given to Manager for 2 days journey on a business trip to Kolkatta.
 - 3) Depreciation allowed as per the provisions of I.T Act is ₹ 32,800.
11. Akash sold the following properties:
- i) Jewellery costing ₹ 1,00,000 in Jan. 2017, sold for ₹ 1,80,000 in Jan. 2019.
 - ii) House in Udupi let out for residence, sold on 30-09-2018 for ₹ 40,00,000. It was inherited by him in 1990 and its FMV on 1-4-2001 as ₹ 4,00,000. His father had acquired it for ₹ 2,50,000 in 1985. He purchased another house in July 2018 for ₹ 15,00,000 and deposited ₹ 50,000 in Post office MIS.
 - iii) Household Furniture costing ₹ 28,000 in Oct. 2017, sold for ₹ 30,000 on June 2018.
 - iv) Agricultural land in Mangalore sold for ₹ 8,25,000. It had cost him ₹ 1,85,000 in Dec. 2001. He purchased agricultural land for ₹ 3,00,000 in August 2018.
 - v) Sold 1,000 shares for ₹ 80 per share in October 2018. These shares were purchased by him in Jan. 2018 for ₹ 30 per share. He paid ₹ 800 towards commission on sales.
- Compute his taxable Capital gains. CII for 2001-02: 100, 2018-19: 280.
12. "Income tax is tax on Income and not on receipts". Discuss this statement, bringing out the essential characteristics of Income.
13. Aniruddha is a Lawyer by Profession. The summary of his Cash book is as under:

₹		₹	
To Balance	5,000	By Rent of chamber	2,400
To Fees	11,35,000	By Car expenses	3,600
To Examinership remuneration	500	By Local taxes on house	1,200
To Interest on FD in Bank	1,500	By Repairs of the house	4,200
To Commission fees	8,000	By Life Insurance premium	5,000
To rent from Property	6,000	By Journals	3,000
To Dividends	1,500	By Law Books purchased	2,500
To Gift from clients	4,000	By General expenses	6,000
		By Gift to wife	2,000
		By Salary to staff	4,800
		By Balance	11,26,800
	11,61,500		11,61,500

Contd....4

Additional information:

- 1) $\frac{1}{3}$ of the house is used by Aniruddha for own residence and the rent is received for $\frac{2}{3}$ portion.
- 2) General expenses relate to the expenses incurred on treatment of an eye ailment caused by excessive study of law books.
- 3) $\frac{1}{3}$ of car expenses relate to personal use.
- 4) Permissible depreciation on car is ₹ 2,500.
- 5) He also received salary of ₹ 4,800 from a college where he serves as part time lecturer.

Compute the Gross Total Income.

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SECTION - C
(Compulsory)

(1×10=10)

14. Following are the particulars of income of Mr. X who is employed in a textile mill company at Jaipur, for the previous year ended 31st March, 2020:
- Salary ₹ 4,80,000; his own and employer's contribution to recognized provident fund @14.5% ₹ 69,600 each; interest on provident fund account balance @ 9.5% p.a. ₹ 50,000. He is getting entertainment allowance @ ₹ 15,000 p.m. He is also provided with a house of the fair rental value of ₹ 7,500 per month at ₹ 2,500 per month as rent. He is provided with the facility of free use of light and water for which the employer paid ₹ 7,000 during the previous year. He was given by his employer cloth cost ₹ 2,000 at concessional price of ₹ 1,000. He was also given an old scooter on 10.8.2019 of the company for ₹ 1,000. The company purchased it on 15.7.2015 for ₹ 30,000. The employer provided him travel concession of ₹ 20,000 June, 2019 for his travel to Srinagar (Kashmir) during leave (the value of concession to his home district would have been ₹ 7,500 only). Before this he had not availed any travel concession. At Srinagar he stayed in the Holiday Home maintained by the company. The value of this facility is ₹ 4,000.
- Compute the taxable salary of Mr. X for the assessment year 2020-21.

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Semester I – P.G. Examination – M.Com.
February 2021

ECONOMIC ENVIRONMENT AND POLICY

Time: 3 Hours

Max. Marks: 70

SECTION - A

Answer any **FIVE** of the following:

(5x4=20)

1. What are the elements of Economic Environment?
2. State the features of Capitalism.
3. Write a note on 'Formal Financial System'.
4. What are the privileges of Special Economic Zones?
5. Why Intellectual Property Rights need to be protected?
6. Who are consumers according to Consumer Protection Act, 1986?
7. How Competition Act 2002 regulates combinations?

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SECTION - B

Answer any **FOUR** of the following:

(4x10=40)

8. "Firms which systematically analyse and diagnose the economic environment are more effective than those which don't". Elucidate.
9. Explain the role of Financial Institutions in the economic development of a country.
10. What is Globalization? Explain the impact of globalization on Indian economy.
11. Explain the agreement on Trade Related aspects of Intellectual Property Rights with reference to Uruguay Round Conference.
12. Explain the procedure for filing complaints in the Consumer Disputes Redressal Agency.
13. What are the different modes of FDI in India? Explain.

SECTION - C (Compulsory)

(1x10=10)

14. Indian leather exports, an important foreign exchange earner for the country has been reportedly hit hard by the decision of some major US retail chains to boycott leather goods from India in protest against the ill-treatment of animals here. This move came shortly after a decision by global retail chains not to buy Indian leather goods. This development has a lot to do with the lobbying by the US-based animal rights group PETA for a ban on leather goods from Indian by documenting evidence of "cruelty to animals" killed for making leather. It has been reported that the overseas firms have officially communicated to the Indian outfit of PETA that they will not be sourcing leather products from India until there is strict enforcement of animal protection laws. Following this, the Mumbai-based Teja Industries, the official supplier of leather goods for Marks and Spencer in India, started out-sourcing leather from other countries to manufacture products for the global chain.

Questions:

- i) In the light of the above, discuss the implications of social activist groups for business.
- ii) What should the governments, Council for Leather Exports and the leather industry do to overcome the problem?

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Semester I- P.G. Examination - M.Com

February 2021

QUANTITATIVE TECHNIQUES FOR DECISION MAKING

Time: 3 hrs.

Max Marks: 70

SECTION - A

Answer any **FIVE** questions.

(5x4=20)

1. Explain the scope of operations research.
2. What is marketing management simulation?
3. What are the essential characteristics of operations research?
4. What do you understand by transportation model?
5. What are the major limitations of linear programming problem?
6. Describe the maximin principle of game theory and what do you understand by pure strategies and saddle point?

7.

	Destination			Supply
	D ₁	D ₂	D ₃	
O ₁	2	7	4	5
O ₂	3	3	1	8
O ₃	5	4	7	7
O ₄	1	6	2	14
Requirement	7	9	18	34

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Solve with a help of North West Corner rule.

SECTION - B

Answer any **FOUR** questions.

(4x10=40)

8. Solve the following transportation problem using VAM.

	A	B	C	D	Supply
1	15	1	42	33	23
2	80	42	26	81	44
3	90	40	66	60	33
Demand	23	31	16	30	100

9. Four different jobs can be done by four different machines. How you can minimize the cost by assigning different jobs.

	M ₁	M ₂	M ₃	M ₄
J ₁	5	7	11	6
J ₂	8	5	9	6
J ₃	4	7	10	7
J ₄	10	4	8	3

10. For the following problem, find the solution by using principle of dominance.

	N ₁	N ₂	N ₃	N ₄
M ₁	-2	0	0	5
M ₂	3	2	1	3
M ₃	-4	-3	0	-2
M ₄	5	3	-4	5

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11. Explain the process of simulation and Monte Carlo method?
12. Solve with a help of graphical method.

$$\text{Max } Z = 6x_1 + 8x_2$$

$$\text{Sub to } x_1 + 2x_2 \geq 1$$

$$x_1 + 2x_2 \leq 3$$

$$x_1 + x_2 \geq 0$$

13. Complete the project with minimum time and minimum cost.

Activity	Normal		Crash	
	Time	Cost	Time	Cost
1-2	2	800	1	1400
1-3	5	1000	2	2000
1-4	5	1000	3	1800
2-4	1	500	1	500
2-5	5	1500	3	2100
3-4	4	2000	3	3000
3-5	6	1200	4	1600
4-5	5	900	3	1600

SECTION - C

14. **Compulsory**

(10)

Determine total float, free-float and independent float.

Jobs	Duration
1-2	10
1-3	8
1-4	9
2-5	8
3-7	16
4-6	7
5-7	7
5-8	7
6-7	8
6-9	5
7-10	12
8-10	10
9-10	15
10-11	8
11-12	5

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Semester I – P.G. Examination – M.Com.
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MANAGEMENT AND ORGANIZATIONAL BEHAVIOUR

Time: 3 hrs

Max Marks: 70

SECTION A

Answer any **FIVE** questions out of seven questions.

(5×4=20)

1. Discuss the process of Management.
2. What do you understand by group dynamic?
3. What is intra individual conflict?
4. What are the sources of power?
5. List out the importance of creativity
6. Why stress is harmful?
7. What is kaizen process?

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SECTION B

Answer any **FOUR** questions out of six questions.

(4×10=40)

8. Critically evaluates the development of management thoughts.
9. Outline the foundations of group behavior. Discuss the stages in the group formation process and the prerequisites for its success.
10. Enumerate on the factors influencing perception.
11. How can the six thinking hats help you to change your ideas into something good?
12. Define motivation. Compare and contrast the various contemporary theories from the early theories of motivation. Which ones do you think are more relevant in today's scenario?
13. What do you understand by managing conflict in the organizations? What are the probable sources and techniques of combating conflicting situations? Outline the strategies of managing conflict.

SECTION - C

(Compulsory)

(1×10=10)

14. Khanna made a lot of efforts to introduce the change by involving all the workers in it, since the workers lacked training and knowledge about productivity and cost reduction effects of this equipment. Ultimately, the new material handling equipment was installed with the active cooperation of the workers. A few months afterwards, the company decided to install a sophisticated fixture in the electronic assembly department among a group of technical workers.

Contd...2

Considering Mr. Khanna's success in the previous change, this job was also assigned to him. Mr. Khanna did not expect any opposition about the proposed change since the group consisted of educated employees, who were in a better position to understand the company problems and utility of the new fixture. Accordingly, he did not make much effort before introducing the new equipment as he had done in the previous situation. The result was beyond everybody's imagination. The group resisted tooth and nail the introduction of the new system until it was given up. The mistake proved very costly to Mr. Khanna and he lost this job.

Questions

- i) What, in your opinion, Mr. Khanna would have done to avoid resistance by the technical group to the proposed change?
- ii) How do you explain the behaviour of the two groups in accepting or rejecting the change contemplated by the management?

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