

St. Aloysius College (Autonomous)
Mangaluru
Semester III – P.G. Examination - M.Com
February - 2022

CONTEMPORARY ISSUES IN ACCOUNTING

Time: 3 hrs

Max Marks: 70

SECTION - A

Answer any FIVE questions out of seven questions. (5×4=20)

1. Compare and contrast between forensic accounting and forensic auditing.
2. Explain the impact of window dressing practices on the performance of the company.
3. Identify the limitations of environmental accounting.
4. Outline the challenges of global convergence of accounting.
5. State the importance of Economic Value Added concept.
6. List the implications of Human Asset Reporting.
7. What do you understand by creative accounting? List the measures to mitigate creative accounting.

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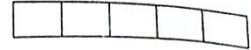
SECTION - B

Answer any FOUR questions out of six questions. (4×10=40)

8. Discuss the importance and limitations of social accounting.
9. Summarize the role of International Accounting Standards (IAS)/IFRS in promoting accounting harmonization.
10. "Forensic Accountant does not win or lose a case but seeks only the truth by conducting evaluations, examinations and enquiries." Justify the statement by explaining the duties, responsibilities and accountability of a forensic accountant.
11. SITERAZE LTD. (SL) engaged in manufacturing business furnished the following statement of Profit & Loss.

Statement of Profit and Loss

Particulars	(Amount in Lakh)	(Amount in Lakh)
Income:		
Sales		800
Other Income		<u>50</u>
		850
Expenditure:		
Production & Operational Expenses	600	
Administration Expenses	30	
Interest and other charges	30	
Depreciation	<u>20</u>	<u>680</u>
Profit before taxes		170
Provision for taxation		<u>30</u>
Profit after taxes		140
Balance as per last Balance Sheet		<u>10</u>
		<u>150</u>



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CORPORATE TAX PLANNING

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Time: 3 hrs

PG Library Max Marks: 70

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SECTION - A

Answer any FIVE questions out of seven questions.

(5×4=20)

1. Discuss the tax provisions relating to special economic Zones.
2. What do you mean by tonnage tax?
3. What are mergers and acquisitions?
4. Write a note on TDS.
5. What are conditions applicable for claiming depreciation allowance?
6. On April 1, 2020, depreciated value of the block of assets (rate of depreciation:25%) is ₹ 80,000. It consists of assets A & B. The tax payer Mr R purchased asset C (rate of dep 25%) during the PY 2020-21 for ₹ 30,000 and sells asset A on May 3 for ₹ 1,80,000. Determine the amount of depreciation for the Assessment Year 2021-22
7. What is slump sale?

SECTION - B

Answer any FOUR questions out of six questions.

(4×10=40)

8. What are the reliefs against double taxation provided under the Income Tax Act?
9. A domestic company submits the following particulars of its income of the previous year ended 31st March 2021.

	₹
i) Profits of business after deduction of donations to approved charitable institution	4,00,000
ii) Donation to charitable institution by cash	50,000
iii) Interest on government securities	20,000
iv) Dividend from a domestic company (gross)	60,000
v) Long term capital gain	1,00,000
vi) Book profits u/s 115 JB	10,00,000

During the financial year 20-21 the company deposited ₹ 50,000 in Industrial Development Bank of India. The company distributed a dividend of ₹ 1,00,000 on 6-9-2020. Compute the taxable income of the company and tax payable by it for Assessment year 2021-22

10. An individual, resident of India, has the following incomes during the P.Y. 2020-21:

	₹
i. Business income in India	15,80,000
ii. Business income in a foreign country with which India does not have avoidance of double taxation agreement	6,70,000
iii. Tax levied in foreign country on income mentioned (ii)	1,00,000
iv. Deposited in Public Provident Fund	1,20,000

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Compute tax payable by him.

11. Discuss the tax implications of transaction method and non-transaction method of pricing.
12. Explain the types and consequences of TDS default.
13. A company purchases an asset costing ₹ 25,00,000. The scrap value at the end of the life of the asset (5 years) is ₹ 3,50,000. The rate of depreciation 14%. The company repays towards the loan amount is ₹ 3,00,000 p.a. Rate of interest is 12%. The leasing company charges ₹ 2,000 as file charges. Lease rent ₹ 5,00,000 p.a.
Present Value factor at 12%

Years	1	2	3	4	5
PV @ 12%	0.8874	0.7885	0.7014	0.6246	0.5568

You are required to determine whether the assessee should purchase the asset or take on lease

SECTION - C (Compulsory)

(1×10=10)

14. The profit & loss a/c of a company engaged in the manufacture of garments is given below

Salaries and wages	2,00,000	Sales	28,00,000
Entertainment expenses	20,000	Agriculture income	6,00,000
Travelling expenses	25,000	Rent from let out property	1,00,000
Income tax	2,50,000	Transfer from General Reserve	50,000
Wealth tax	10,000		
Outstanding customs duty	15,000		
Provision for unascertained liability	60,000		
Proposed dividend	50,000		
Provision for loss of subsidiary co.	20,000		
Repairs of let out property	30,000		
Municipal tax on let out property	20,000		
Agriculture expenses	2,50,000		
Fines & penalties	5,000		
Reserve for Bad Debts	15,000		
Depreciation	4,00,000		
Other expenses	2,00,000		
Net profit	19,80,000		
	35,50,000		35,50,000

Additional Information:

1. Excise duty of 2019-20 paid during the year 2020-21 is ₹ 65,000. However this is not debited to profit and loss a/c given above.

Contd.....3

2. Value of plant & machinery as on 1.4.2020 was ₹ 50,00,000 and Building ₹ 10,00,000. Depreciation allowable is 15% on plant & machinery and 10% on building.
3. The company has paid the advance tax of ₹ 1,20,000.

4. The following losses are to be set off:

	<u>for accounting purpose</u>	<u>for tax purpose</u>
B/F Business loss for the year 2018-19	₹ 9,00,000	₹ 11,00,000
Unabsorbed Depreciation	₹ 3,00,000	

You are required to compute:

- The book profit as per section 115JB
- Total income of the company and
- The tax liability of the company for the assessment year 2021-22.

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Semester III – P.G. Examination - M.Com
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INVESTMENT BANKING & FINANCIAL SERVICES

Time: 3 hrs

Max Marks: 70

SECTION - A

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

(5×4=20)

1. What do you understand by 'green shoe option'?
2. Distinguish between Investment Banking and Merchant Banking.
3. What are the functions of credit rating firms?
4. Distinguish between factoring and forfeiting.
5. State the functions of new generation banks.
6. What is the difference between 'Private Placement' and 'Right Issue'.
7. What are the legal aspects involved in leasing?

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SECTION - B

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

(4×10=40)

8. What are the SEBI guidelines governing Merchant Banker?
9. Briefly explain the services offered by NSDL and CSDL.
10. Explain the process involved in pricing of IPO's.
11. Explain the various steps involved in the rating process.
12. Explain the role and functions of IDBI and EXIM Bank.
13. Write a note on SEBI Regulations governing underwriting of shares and debentures.

SECTION - C (Compulsory)

(1×10=10)

14. Watson Ltd is faced with a decision to purchase or acquire on lease a car. The cost of the car is ₹ 1,23,970. It has a life of 5 years. The car can be obtained on lease by paying equal lease rent annually. The leasing company desires a return of 10% on the gross value of the asset. Watson Ltd can also obtain 100% finance from its regular banking channel. The rate of interest will be 15% p.a. and the loan will be paid in five annual equal installments inclusive of interest. The effective tax rate of the company is 40%. For the purpose of taxation, it is to be assumed that the asset will be written off over a period of five years on straight line basis.
- Advise Watson Ltd about the method of acquiring the car.

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MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING

Time: 3 hrs

Max Marks: 70

SECTION - A

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

(5×4=20)

1. Explain synergy effect in M&A.
2. Write a note on Horizontal and Vertical Merger.
3. Explain Valuation and Efficiency theories of Merger.
4. 'Mergers and Acquisitions do not always generate value' Comment.
5. State the need for Due Diligence.
6. Explain the provisions of Competition Act 2002 on Mergers.
7. Analyse Master Limited Partnership and ESOPs.

SECTION - B

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

(4×10=40)

8. Briefly explain the various defensive tactics a target company adopts against hostile takeover.
9. Discuss the different stages involved in M&A deal.
10. Describe the key provision of SEBI takeover code 2011.
11. Two companies A Ltd and B Ltd have decided to merge. The relevant financial details of the 2 firms are as follows:

Particulars	A Ltd	B Ltd
EPS (₹)	18	12.5
MPS (₹)	150	65
Total number of shares o/s	25	10

- a. What is the maximum and minimum exchange ratio acceptable to the shareholders, if the P/E ratio of the combined entity is 4 and there is no synergy gain?
 - b. What is the maximum and minimum exchange ratio acceptable to the shareholders, if the P/E ratio of the combined entity is 4 and there is synergy gain of 20%?
12. Prospective Ltd is contemplating to takeover the business of target Ltd. The summarised balance sheet of target Ltd as on 31-03-2018 is as follows;

Liabilities	₹ in lakhs	Assets	₹ in lakhs
Equity capital 5000000 shares of ₹ 10 each	500	Land & Building	300
Reserves	250	Plant & Machinery	580
Profit & Loss account	120	Stock	70
13% debentures	100	Debtors	20

Contd.....2

Current liability	30	B/R	15
		Bank	15
Total	1000	Total	1000

Additional information;

- The risk-free rate of return is 8%, inflation rate 5.4% and risk related to target ltd is 1.6%
- Prospective ltd agrees to takeover all the current assets @ their book value but fixed assets would be revalued as under:
Land & building 500 lakhs, Plant & machinery 500 lakhs.
Apart from these assets Prospective ltd is required to pay rupees 50 lakhs for goodwill
- Purchase consideration is to be paid as rupees 130 lakhs in cash to pay for 13% debentures and other liabilities and the balance is to be paid in terms of shares of prospective ltd
- The expected benefits (FCFF) accruing to prospective ltd are as follows;

Year	₹ in lakhs
1	200
2	300
3	260
4	200
5	100

- It is also assumed that FCFF are expected to remain constant after 5 years

Suggest whether Prospective Ltd can get any benefit by taking over the business of target ltd.

13. A Ltd. is considering the acquisition of B Ltd with stock. Relevant financial information is given below:

	A Ltd	B Ltd
Present earnings	₹ 75 Lakh	₹ 40 lakh
Equity (No. of shares)	40,00,000	32,00,000
EPS (₹)	1.875	1.25
P/E ratio	10	6
MPS	₹ 18.75	₹ 7.5

- Calculate exchange ratio based on EPS, MPS and P/E ratio
- How many new shares would be issued if the exchange takes place as per EPS, MPS and P/E ratio.

SECTION - C (Compulsory)

(1×10=10)

14. Firm Alpha plans to acquire firm Beta. The following are the pre-merger statistics of the two firms.

Particulars	Firm Alpha	Firm Beta
MPS	₹ 50	₹ 20
Book Value per share	₹ 34	₹ 16
Number of outstanding shares	450000	225000
Market value	₹ 22500000	₹ 4500000

Alpha limited is planning to offer two settlement plans:

- Paying 35 Lakh in one lumpsum.
- Alpha Ltd offered to the shareholders of Beta Ltd one share in exchange for every two shares held by them in Beta Ltd

Merger is expected to bring gain which have a present value of ₹ 50 lakh.

Should Alpha Ltd acquire Beta Ltd, if so how settlement of purchase consideration must be made.

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EQUITY RESEARCH AND SECURITY MARKET OPERATION

Time: 3 hrs

Max Marks: 70

SECTION - A

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

(5×4=20)

1. What do you understand by "value" and "growth" strategies in investment?
2. List the important components of equity research.
3. Explain fundamental analysis. Distinguish between fundamental analysis and technical analysis.
4. Write a note on Z-score analysis.
5. Identify the key assumptions of technical analysis.
6. List the major initiatives undertaken by SEBI to improve the Indian Capital Market.
7. State the key criteria of stock selection for inclusion in BSE Sensex 30.

SECTION - B

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

(4×10=40)

8. "Investment process comprise of series of systematic steps." Discuss.
9. Explain with examples the major economic fundamentals having an impact on Indian Manufacturing Industry.
10. Describe the significance of Industry Life Cycle and Competitive Analysis in equity research.
11. Critically examine Dow Theory.
12. Distinguish between primary and secondary market. Demonstrate the regulatory framework for securities market in India.
13. "Stock market indices act as barometer of economy, indicator of country's performance, measure of investor confidence and industry performance." Elucidate.

SECTION - C (Compulsory)

(1×10=10)

14. Consider the closing prices of a share for 10 days:

Days	Closing price.(₹)
1	66
2	70
3	75
4	72
5	78
6	80
7	81
8	77
9	82
10	84

You are required to calculate:

- a) Five-day Simple Moving Average.
- b) Five-day Exponential Moving Average
