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St. Aloysius College (Autonomous)
Mangaluru
Semester III – P.G. Examination - M.Com.
JANUARY-2021

EQUITY RESEARCH AND SECURITY MARKET OPERATION

Time:3 hrs

Max Marks:70

SECTION - A

(5×4=20)

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

1. Give an overview of the objectives of Investment.
2. Summarise the principal tasks of an Equity Research Analyst.
3. Write a note on Z-score analysis.
4. Explain Technical Analysis. How does it differ from Fundamental Analysis?
5. What do you understand by E-IPOS?
6. Outline the methods of constructing a Stock-Market Index.
7. Compute the breadth of the market using the following data:

Day	Number of Stocks advanced	Number of Stocks declined
Monday	1,050	420
Tuesday	600	740
Wednesday	550	950
Thursday	700	825
Friday	650	480

SECTION - B

(4×10=40)

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

8. Describe the process of Investment.
9. "Fundamental analysis provides analytical framework for rational investment decision making". Elucidate.
10. Explain the characteristics of an industry that an Equity research analyst must consider while performing industry analysis.
11. Explain the basic principles and hypothesis of Dow theory.
12. Describe the functions of primary and secondary market.
13. Describe briefly the important investment avenues available to savers in India.

SECTION - C
(Compulsory)

(1×10=10)

14. From the following information compute market index using value weighted index and price weighted index:

Company	Average price (₹)	Number of share outstanding	Current price (₹)	Base price (₹)
ABC	100	10,000	1001	901
ACD	88	10,000	886	947
XYZ	12	1,00,000	1202	1101
GTA	11	1,00,000	1108	889

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St Aloysius College (Autonomous)
Mangaluru
Semester III- P.G. Examination - M.Com
JANUARY-2021
MERGERS, ACQUISITIONS AND CORPORATE
RESTRUCUTRING

Time: 3 hrs.

Max Marks: 70

SECTION - A

(5x4=20)

Answer any FIVE questions.

1. What are the reasons for mergers and acquisitions?
2. What is Leveraged Buyouts? How does Leveraged Buyouts differ from Management Buyouts?
3. Briefly explain Active Takeover Defences.
4. State the need for Due diligence.
5. What is joint ventures? State the rationale behind joint ventures with suitable examples.
6. Write a note on Master Limited Partnerships.
7. Explain five stage model of Merger.

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SECTION - B

(4x10=40)

Answer any FOUR questions.

8. Describe the key provision of SEBI takeover code - 2011.
9. Discuss the various steps involved in a merger (amalgamation).
10. Explain the different methods of corporate restructuring.
11. Elrond Limited plans to acquire Doom Ltd. The relevant financial details of the two firms prior to the merger announcement are:

	Elrond Ltd.	Doom Ltd.
Market price per share	₹50	₹25
Number of outstanding shares	20 Lakhs	10 Lakhs

The merger is expected to generate gains, which have a present value of ₹200 lakhs. The exchange ratio agreed to is 0.5. What is the true cost of merger from the point of Elrond Ltd?

12. The following information is provided in relation to the acquiring firm Mark Ltd and the target firm Mask Ltd.

	Mark Ltd.	Mask Ltd.
Earnings after tax (₹)	2000 Lakhs	400 Lakhs
Number of shares outstanding	200 Lakhs	100 Lakhs
P/E Ratio	10	5

- a) What is the swap ratio in terms of current market prices?
- b) What is the EPS of MARK Ltd after acquisition?

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- c) What is the expected market price per share of MARK Ltd after acquisition assuming that P/E ratio of MARK Ltd remains unchanged?
- d) Determine the market value of the merged firm.
13. Examine the provisions of AS14 and IFRS-3.

(10)

SECTION - C**14. (Compulsory)**

You are the director of Ram company. One of the project you are considering is the acquisition of Shyam Company. Shyam the owner of Shyam Company is willing to consider selling his company to Ram Company, only if he is offered and all cash purchase price of ₹5 million. The project estimates that the purchase of Shyam Company will generate the following marginal after-tax cash flow:

Year	Cash Flow (₹)
1	10,00,000
2	1,500,000
3	2,000,000
4	2,500,000
5	3,000,000

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If you decide to go ahead with this acquisition, it will be funded with Ram's standard mix of debt and equity, at the firms weighted average (after-tax) cost of capital of 9 percent. Ram's tax rate is 30%.

Should you recommend acquiring Shyam Company to your CEO? Show the relevant calculations in support of your recommendation.

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

Time: 3 hrs

Max Marks: 70

SECTION - AAnswer any **FIVE** questions out of seven questions.

(5×4=20)

1. List the functions of credit rating firms.
2. Explain green shoe option
3. Differentiate between factoring and forfaiting.
4. State the objectives of depository services
5. Explain the essential elements of leasing.
6. List the SEBI regulations governing underwriting of shares.
7. Explain the process of book building.

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SECTION - BAnswer any **FOUR** questions out of six questions.

(4×10=40)

8. Describe the structure of investment banking and financial services in India.
9. Discuss the role and functions of EXIM bank.
10. Explain the credit rating mechanism of CRISIL and CARE
11. Analyse the features of new generation banks.
12. Discuss the role of a merchant banker as issue manager.
13. Explain the process of pricing IPOs.

SECTION - C**(Compulsory)**

(1×10=10)

14. XYZ Ltd. is in the business of manufacturing steel utensils. The firm is planning to diversify and add a new product line. The firm either can buy the required machinery or get it on lease. The machine can be purchased at ₹ 15 lakhs. It is expected to have a useful life of 5 years with a salvage value of ₹ 1,00,000 after the expiry of 5 years. The purchase can be financed by 20% loan repayable in five equal instalments (inclusive of interest) becoming due at the end of each year. Alternatively the machine can be taken on year end lease rental of ₹ 4,50,000 for 5 years. Advise the company. Assume the following:
- The machine will constitute a separate block for depreciation purposes. The company follows written down value method of depreciation. The rate of depreciation being 25%.
 - Tax rate is 35% and cost of capital is 20%
 - Lease rentals are to be paid at the end of the year
 - Maintenance expenses estimated at ₹ 30,000 per year are to be borne by lessee.

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CORPORATE TAX PLANNING

Time: 3 hrs

Max Marks: 70

SECTION - A

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

(5×4=20)

1. Explain MAT credit
2. What is double taxation relief?
3. Discuss in brief the tax provisions relating to Free Trade Zones
4. Explain Profit Split Method of transfer pricing
5. Discuss the provisions relating to deductions of tax at source from winnings from lotteries.
6. What do you mean by 'block of assets'?
7. Mr X, a Resident of India, provides you the following particulars of his income for the Assessment Year 2020-21.

Interest from government securities ₹ 25,000; Income from house property 45,000; Business Income 4,30,000; Income from a foreign country with no agreement for relief or avoidance of double taxation exists. 1, 00,000; Income tax paid on this income 20,000

Compute the amount of income tax payable in India.

SECTION - B

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

(4×10=40)

8. Discuss the provisions relating to clubbing of income
9. Calculate the amount of depreciation allowance for the Assessment Year 2020-21 from the particulars of a Steel Factory

Assets	WDV as on 1.4.2019	Depreciation
Buildings	15,00,000	40%
Machinery	35,00,000	15%
Motor vehicle	2,00,000	30%
Furniture	25,000	10%

The factory purchased and installed old machinery on 31st October 2019 at a cost of Rs 5,00,000 of the same rate of depreciation. One Motor vehicle (whose WDV on 1.4.2019 was Rs 1,00,000) was completely destroyed by fire on 1.9.2019 and Rs 60,000 was received from the insurance company in respect thereof.

10. Write a note on "tax incentives to amalgamated company"
11. Explain non-transaction method of Arms Length Pricing.
12. Discuss the consequence of non-payment of TDS and TCS by an assessee.
13. From the following particulars, Compute the Total Income for the AY 2020-21.

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	₹
i. Income from let out house (computed)	
ii. Annual rental value of self occupied house	60,000
iii. Municipal taxes	40,000
iv. Profits from toy business after depreciation	4,000
v. Profits from agency business	1,00,000
vi. Speculation gain from gold	30,000
vii. LTCG	20,000
viii. STCG	70,000
	20,000

The following losses have been brought forward from the previous year 2019-20

i. Loss from toy business	60,000
ii. Loss from agency business	10,000
iii. Speculation loss from silver	40,000
iv. Unabsorbed depreciation	10,000
v. Long term capital loss	44,000
vi. Short term capital loss	30,000

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SECTION - C
(Compulsory)

(1×10=10)

14. A domestic company in which public are substantially interested submits the following particulars of its income of the previous year ended March 31, 2020.

Profits from business after deduction of donations to approved charitable institution	1,50,000
Donations to the charitable institution by cheque	30,000
Interest on government securities	10,000
Dividend from a domestic company (gross)	60,000
Dividend from a foreign company	10,000
Long term capital gain	50,000
Short term capital gain	33,000
Book Profits u/s 115 JB	8,00,000

During the financial year 2019-20 the company deposited ₹ 15,000 in Industrial Development Bank of India. The company distributed a gross dividend of ₹ 1,00,000 on 6.12.2019.

Compute the taxable income of the company and tax payable by it for the AY 2020-21.

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CONTEMPORARY ISSUES IN ACCOUNTING

Max Marks: 70

Time: 3 hrs

SECTION - A

(5×4=20)

Answer any FIVE questions out of seven questions.

1. Explain the utility of environmental accounting
2. Write a note on International Audit environment
3. Describe need and importance of EVA
4. Write a note on window dressing practices adopted by Indian corporate sector.
5. Explain convergence benefits of IFRS
6. Explain the meaning and objective of forensic accounting
7. Mr. A is working as General manager of a Company. His average annual salary is ₹ 50,000. His present age is 57. Retirement age is 60. Cost of capital is 10%. Calculate the present value of human resources on the basis of Lev and Schwartz model.

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SECTION - B

(4×10=40)

Answer any FOUR questions out of six questions.

8. From the following information calculate the value of human resources of Akash Employees solutions Ltd according to Lev and Schwartz Model

Distribution of employees

Age	Skilled workers		Semi -skilled		Unskilled	
	Avg. Annual Salary	No.of employees	Avg. Annual Salary	No.of employees	Avg. Annual Salary	No.of employees
41-50	40,000	04	18,000	05	17,000	03
51-55	55,000	03	19,000	04	19,000	02

Additional Information

1. Cost of Capital is 8%
2. Retirement age is 60
9. Elaborate present value models of Human Resource Accounting.
10. Examine comparison between IFRS and Indian GAAP.
11. Explain various approaches of social accounting.
12. Examine motives and techniques of creative accounting.
13. Forensic accounting is the blood hound of book keeping. Discuss.

Contd....2

SECTION - C
(Compulsory)

(1×10=10)

14. The summarised statement of Profit and Loss A/c of Nano Solutions Ltd. for the year ended 31st March 2019 was as follows.

Sales	65,00,000
(-) Cost of Goods Sold	42,00,000
Gross Profit	23,00,000
(-) Office administration, selling and distribution expenses	12,00,000
Net profit before interest and tax	11,00,000
(-) Interest expenses	1,80,000
Net profit before tax	9,20,000
(-) Income tax	3,80,000
Net profit after tax	5,40,000
(+) Non trading income	90,000
Profit available for distribution	6,30,000
Dividend paid and payable	2,10,000

Analysis of cost of goods sold

Material and supplies 40%, Wages 50%, Depreciation 4%, Electricity 6%

Analysis of Office administration, selling and distribution expenses

Salaries 60%, Postage, printing and stationery 15%, Rent, electricity and Insurance 20%, Depreciation 5%

Prepare value added statement for the year ended 31st March 2019.

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