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St Aloysius College (Autonomous)

Mangaluru

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

November - 2019

EQUITY RESEARCH AND SECURITY MARKET OPERATIONS

Time: 3 hrs.

Max Marks: 70

SECTION - A ST.ALOYSIUS COLLEGE

Answer any **FIVE** of the following:

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(5x4=20)

1. Explain the various investment objectives.
2. The BSE senser rose to a historic high of 38,896 on 28 August 2018 and to a low of 34001 on 11 October 2018. Discuss the economic factors that have affected the BSE senser.
3. Analyse the role of ratios in reflecting the financial health of a company.
4. Differentiate between fundamental analysis and technical analysis.
5. Explain the surveillance system of a stock exchange.
6. Explain the criteria adopted for selection of 30 scrips for BSE Senser index.
7. Explain industry life cycle theory.

SECTION - B

Answer any **FOUR** of the following:

(4x10=40)

8. Explain any five forms of investment alternatives.
9. Explain the process of Opportunistic Model Building
10. Summarise the analysis of competitive environment using Porter's Model.
11. Explain point and figure charts.
12. Elaborate the trading and settlement procedure of a stock exchange.
13. Explain Dow theory and its use to determine the direction of the stock market.

SECTION - C (Compulsory)

(1x10=10)

14. Calculate the 5 day EMA for the following data:

Day	1	2	3	4	5	6	7	8	9	10
Closing Price (₹)	90	95	94	96	100	98	96	95	97	100

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St Aloysius College (Autonomous)
Mangaluru
Semester III- P.G. Examination - M.Com
November - 2019
MERGERS, ACQUISITIONS AND CORPORATE
RESTRUCUTRING

Time: 3 hrs.

Max Marks: 70

SECTION - A (5x4=20)Answer any **FIVE** questions.

- Briefly explain the different types of mergers and acquisitions.
- State the reasons for failure of mergers and acquisition.
- What are the provisions of AS 14 and IFRS -3 on mergers?
- Explain human and cultural issues involved in integration for merger and acquisition success.
- What do you understand by agency problem?
- Write a note on Equity Carve outs in mergers and acquisition.
- Explain the concept of Spin offs with suitable examples.

SECTION - B

(4x10=40)

Answer any **FOUR** questions.

- Discuss the various antitakeover defences employed by target companies in the U.S and in India.
- Explain the various plausible reasons and dubious reasons for mergers.
- Explain the difference between Leveraged and Non-leveraged ESOPs. Discuss the limitations of ESOPs.
- Alpha Ltd. plans to acquire Beta Ltd. Following are the pre-merger vital statistics of the two firms:

	Alpha Ltd.	Beta Ltd.
Market price per share (₹)	50	20
Book value per share (₹)	34	16
Number of outstanding shares	4,50,000	2,25,000
Market value of the firm (₹)	2,25,00,000	45,00,000

Firm Alpha offers to the shareholders of firm Beta one share in exchange for every two shares held by them in Beta Ltd. The merger is expected to bring gains, which have a present value of ₹50 lakh. Should Alpha Ltd. acquire Beta Ltd.?

- Two companies, Inquest Ltd. and Impress Ltd., have decided to merge. The relevant financials of the two firms are as follows:

	Inquest Ltd.	Impress Ltd.
Total Earnings, E (in ₹ lakhs)	450	125
Number of shares outstanding, S (in Lakh)	25	10
Earnings Per share, EPS (₹)	18	12.5
P/E Ratio, (Times)	10	7
Market price per share, P (₹)	150	65

Contd....2

Using the LG Model, determine the exchange ratio for the merger. (P.E level @5 times, 7 times, 10 time and 15 times)

13. The Stanley Stationery Shoppe wants to acquire The Corlson Card Gallery for ₹4,00,000. Stanley expects the merger to provide incremental earnings of ₹64,000 a year for 10 years. Ken Stanley has calculated the marginal cost of capital for this investment to be 10 percent.

Conduct a capital budgeting analysis for Stanley to determine whether he should purchase The Carlson Card Gallery.

SECTION – C

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(10)

14. (Compulsory)

As the financial manager of Multibex Company you are investigating the acquisition of Unibex Company. The following facts are given:

	Multibex Company	Unibex Company
Earnings per share	₹6.00	₹2.00
Dividend per share	₹3.00	₹1.20
Price per share	₹45.00	₹12.00
Number of shares	50,00,000	20,00,000

Investors currently expect the dividends and earnings of Unibex to grow at a steady rate of 5 percent. After acquisition this growth rate would increase to 7 percent without any additional investment.

- a) What is the benefit of this acquisition?
- b) What is the cost of this acquisition to Multibex Company if it:
 - i) Pays ₹15 per share cash compensation to Unibex Company?
 - ii) Offers one share for every three shares of Unibex Company?

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St Aloysius College (Autonomous)
Mangaluru

Semester III – P.G. Examination – M.Com.
November - 2019

INVESTMENT BANKING AND FINANCIAL SERVICES

Time: 3 hrs.

Max Marks: 70

SECTION - A

Answer any **FIVE** of the following:

(5x4=20)

1. What are the features of financial services?
2. What is a leveraged lease?
3. Write a brief note on regulatory frame work, applicable to credit rating agencies in India.
4. What do you understand by "green shoe option"?
5. Distinguish between forfeiting vs factoring.
6. Explain the concept of Hire purchasing.
7. What is devolvement? How do you ascertain it?

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SECTION - B

Answer any **FOUR** of the following:

(4x10=40)

8. Explain the Pre-issue activities to be supervised by a merchant banker.
9. Explain the SEBI guidelines relating to issue management.
10. Explain the various steps involved in the rating process.
11. Briefly discuss the services performed of NSDL and CDSL.
12. Explain the functions of IDBI and ICICI.
13. Explain the process involved in pricing of IPO's.

SECTION - C (Compulsory)

(1x10=10)

14. Welsh Ltd is faced with a decision to purchase or acquire on lease a mini car. The cost of the mini car is ₹1,23,965. It has a life of 5 years. The mini car can be obtained on lease by paying equal lease rentals annually. The leasing company desires a return of 10% on the gross value of the asset. Welsh 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 Welsh Ltd about the method of acquiring the car.

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St Aloysius College (Autonomous)

Mangaluru

Semester III – P.G. Examination - M.Com.

November - 2019

CORPORATE TAX PLANNING

Time: 3 hrs.

Max Marks: 70

Answer any **FIVE** of the following.

SECTION - A

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(5×4=20)

1. XYZ Ltd. A registered supplier of goods is effecting supplies through E-Comm Ltd (an electronic commerce operator). It has made taxable supplies of goods amounting ₹ 25,00,000 in month of December 2018 through E-Comm Ltd. E-Comm Ltd has returned goods amounting to ₹ 2,50,000 to XYZ Ltd. during the month of December 2018. Determine the amount of tax to be collected at source by E-Comm Ltd.
2. What is the legislative objective of bringing into existence the provisions relating to transfer pricing?
3. What is unilateral relief in case of double taxed income? How is it calculated?
4. The total income of Hexa Ltd., a domestic company, computed under the normal provisions of Income tax Act, 1961 is ₹ 12,00,000 which includes long term capital gain of ₹ 2,00,000. However the book profits of the company (calculated as per Section 115 JB) amounted to ₹ 25,00,000. Calculate the tax liability of company for assessment year 2019-20 and tax credit.
5. As a tax expert, analyse the tax aspects of own or lease decision.
6. Yaman Limited is a company in which 60% shares are held by Piloo Limited. Yaman Limited declared dividend amounting to ₹ 35 lakh to its share holders for the financial year 2017-18 in its Annual General meeting held on 10th may, 2018. Dividend distribution tax was paid by Yaman Limited on 15th July 2018. Piloo Limited declared an interim dividend amounting to ₹ 50 lakh on 15th October, 2018 for the year ended 31st March 2019.
Compute the amount of tax on dividend payable by Piloo Limited.
What would be your answer, if 58% shares of Piloo Limited are held by Kafi Limited, an Indian Company?
Does the position change further, if Kafi Limited is a foreign company?
7. Explain the provisions relating to deduction of tax at source.

SECTION - B

Answer any **FOUR** of the following.

(4×10=40)

8. a) What is a double taxation relief? Explain double taxation relief in case of specified association [Sec 90A].

Contd...2

- b) Nano Inc. a German company holds 45% of equity in Hitech Ltd, an Indian Company. Hitech Limited is engaged in development of software and maintenance of the same for customers across the globe. Its clientele includes Nano Inc.

During the financial year 2018-19 Hitech Ltd had spent 2400 man hours for developing and maintaining software for Nano Inc. with each hour being billed at ₹ 1300. Cost incurred by Hitech Ltd for executing work for Nano Inc. amounts to ₹20 lakh. Hitech Ltd had also undertaken developing software for Modi Industries, for which Hitech Ltd had billed ₹ 2700 per man hour. The persons working for Modi Industries and Nano Inc. were part of the same team and were matching credentials and caliber. Hitech Ltd made a gross profit of 60% on Modi Industries work. Hitech Ltd's transaction with Nano Inc are comparable to the transactions with modi Industries, subject to the following differences;

- i) Nano Inc gives technical know how support to Hitech Ltd, which can be valued at 8% of the normal gross profit. Modi industries does not provide any such support.
- ii) Since the work for Nano Inc involved huge number of man hours, a quantity discount of 14% of normal gross profits was given.
- iii) Hitech Ltd had offered 90 days credit to Nano Inc., the cost of which is measured at 2% of the normal billing rate. No such discount was offered to Modi industries.

Compute arm's length price as per cost plus method and the amount of increase in total income of Hitech Ltd.

9. a) Explain transfer pricing as per Sec 92 of the Income tax Act, 1961. Discuss the conditions for applicability of arm's length price in the international transaction.

- b) Lolita, a resident Indian has derived the following income:

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Income from profession		2,80,000
Share income from a partnership firm in country M [tax paid in country M for this income in equivalent Indian ₹10,000]		50,000
Commission income from a concern in country N [tax paid in country N @ 20%] converted in Indian rupees.		35,000
Interest from scheduled banks		18,000

Lolita wishes to know whether she is eligible to any double taxation relief and if so, its quantum. India does not have any double taxation avoidance agreement with country M and country N.

10. a) Define tonnage tax scheme and tonnage income. How is tonnage income computed?

- b) A tonnage tax company has the following qualifying ships:

Ship	Type of ship	Net tonnage	Days for which operated
A	Chartered in on bare boat charter cum demise	5,000	200
B	Owned vessel	8,000	200
C	Chartered in for 6 years on bare boat charter basis	6,000	180
D	Time chartered in	9,000	190

What tax consequences will arise for the tonnage tax company?

11. Sona Ltd, a resident company, earned a profit of ₹ 15 lakh after debit/credit of the following items to its statement of profit and loss for the year ended 31-03-2019.

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Items debited to Profit and Loss A/c		Item credited to Profit and Loss A/c	
Provision for the loss of subsidiary	70,000	Profit from unit established in SEZ	5,00,000
Provision for doubtful debts	75,000	Share in income of an AOP as a member	1,00,000
Provision for income tax	1,05,000	Income from units of UTI	75,000
Provision for gratuity based on actuarial valuation	2,00,000	Long term capital gains	3,00,000
Depreciation	3,60,000		
Interest to financial institution (unpaid before filing of return)	1,00,000		
Penalty for infraction of law	50,000		

Compute minimum alternate tax u/s 115 JB of the income tax Act, 1961 for assessment year 2019-20. Other information:

- Depreciation includes ₹ 1,50,000 on account of revaluation of fixed assets.
- Depreciation as per income tax rules ₹ 2,80,000.
- Balance of statement of profit and loss shown in balance sheet at the assets side as at 31-03-2018 was ₹ 10 each which includes unabsorbed depreciation of ₹ 4 lakh.
- The capital gain has been invested in special assets u/s 54 EC.
- The AOP, of which the company is a member, has paid tax at maximum marginal rate.
- Provision for Income tax includes ₹ 45,000 of interest payable on income tax.

Contd...4

12. Mr. X carries on a business of ready made garments. He wants to acquire a machine for ₹ 20,00,000 having an expected life of 10 years after which it will be discarded and sold at the depreciated price. He has three options:

- Purchase the machine with own funds.
- Borrow ₹ 20,00,000 from a private bank at the rate of interest of 12% per annum and processing charges of 0.25% and repay the entire loan at the end of ten year.
- He can also opt to obtain the asset on lease, for the annual payment of lease rent of ₹ 3,50,000 for ten years with lease management fee of ₹ 55,000 to be paid at the time of the agreement. Assuming the rate of tax to be 15%, suggest whether the assessee should acquire the assets with own funds or borrowed funds or take the asset on lease while taking the discounting rate to be 10%

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13. Examine the applicability of provisions relating to deduction of tax at source and compute the liability, if any, for deduction of tax at source in the following cases for the financial year ended 31-03-2019:

₹ 80,000 towards interest on compensation credited to the account of the payee by the motor accidents claim tribunal on 30-11-2018.

₹ 2,50,000 paid on 30-09-2018 as consideration to Mr. B, a resident in India, on account of compulsory acquisition of his residential building acquired for laying railway tracks.

Ravi Kumar, aged 67 years derived ₹ 6,00,000 as salary from his employer XYZ Ltd for the year ended 31-03-2019. The following details are provided by him to the employer:

Particulars	₹
Loss from self-occupied house property at Mumbai	2,00,000
Net loss from let out property	2,00,000
Net loss from business activity	1,00,000
Interest income from bank	3,20,000

SECTION – C (Compulsory)

(1×10=10)

14. The statement of profit and loss account of Sonia Co. Ltd for the year ended 31-03-2019 showed a net profit of ₹ 5,75,000. Compute the taxable income of the company for the assessment year 2019-20.

Items debited	₹	Items credited	₹
Purchases	2,25,000	Sales	14,00,000
General charges	40,000	Agriculture income	55,000
Commission and brokerage	1,80,000	Transfer from investment reserve	2,00,000
Income tax	1,15,000	LTCG (plot)	2,50,000

Contd...5

Legal expenses	65,000
Fines and penalties	25,000
Depreciation	2,60,000
Provision for contingent liability	70,000
Proposed dividend	1,50,000
Loss of subsidiary company	2,00,000

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Additional information:

- i) General charges include donation to prime minister's relief fund ₹ 22,000.
- ii) Depreciation as per income tax Act ₹ 3,00,000.
- iii) Brought forward business loss and depreciation:

	As per Accounts	As per IT Act
B/F business losses	3,00,000	4,00,000
Unabsorbed depreciation	50,000	1,50,000

- iv) Investment reserve was created during previous year 2000-01 as a result of profit on revolution of investment directly credited.
- v) The LTCG has been invested in NHAI bonds as per Sec 54 EC.

Calculate the tax liability as per normal provisions of IT Act and as per MAT. Is the company entitled to any tax credit under Sec. 115 JAA?

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Semester III – P.G. Examination – M.Com.
November - 2019
CONTEMPORARY ISSUES IN ACCOUNTING

Time: 3 hrs.

Max Marks: 70

SECTION - A**ST.ALOYSIUS COLLEGE**

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Answer any FIVE of the following:

1. Explain the need for global convergence of accounting
2. Distinguish between forensic accounting and auditing.
3. Explain the concept of value added.
4. What are International Financial Reporting Standards
5. List the limitations of environmental accounting.
6. A firm has started its business with a capital of Rs 10,00,000. It has purchased fixed assets with Rs 500,000 in cash. It has kept Rs 2,60,000 as working capital and incurred Rs 2,40,000 on recruiting, training and developing the engineers and few works. The value of the engineers and workers is assessed at Rs 8,00,000.

Prepare a balance sheet to show the above.

7. Explain the purpose of window dressing.

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

8. Consider below the data regarding the age and the average earnings per employee of a manufacturing organization.

Age(in years)	Average annual earnings per employee (Skilled employee)
25-34	Rs 4000
35-44	Rs 5,000
45-54	Rs 6,000
55-64	Rs 5,000

There are 500 skilled employees in this organization.

Calculate the value of human resources according to Lev and Schwartz Model. Assume the discount rate at 10%.

9. Explain the creative accounting techniques. Discuss the impact of creative accounting on corporates.
10. Discuss the utility of forensic accounting. List the responsibilities of a forensic accountant.

Contd...2

11. With the help of an example, describe Flamholtz model of human resource valuation.
12. Explain the methodology of preparation of social balance sheet. Present the social income statement for the following data taken from the books of X Ltd.

	Rs
Medical facilities	45,00,000
Training programmes	10,00,000
Generation of job opportunities	40,00,000
Educational facilities for children of staff	15,00,000
Extra work put in by staff for drought relief	16,00,000
Municipal taxes	5,00,000
Increase in cost of living due to thermal power station	12,00,000
Environmental improvements	25,00,000

13. Explain the utility of environmental accounting. Describe the environmental accounting practices in Indian corporate sector.

SECTION – C (Compulsory)

(1×10=10)

14. From the following information, Calculate EVA

12% debt capital	Rs 2,000 crores.
Equity capital	Rs 500 crores
Reserves and surplus	Rs 7,500 crores
Capital employed	Rs 10,000 crores
Risk free rate	9%
Beta	1.05
Market rate of return	19%
Net operating profit after tax	Rs 2,100 crores
Tax rate	30%

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St Aloysius College (Autonomous)
Mangaluru

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

November - 2018

EQUITY RESEARCH AND SECURITY MARKET OPERATIONS

Time: 3 hrs.

Max Marks: 70

SECTION - A

Answer any **FIVE** of the following:

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(5x4=20)

1. Compare an investor and a speculator.
2. The BSE sensex rose to a historic high of 38,896 on 28 August 2018 and to a low of 34001 on 11 October 2018. Discuss the economic factors that have affected the BSE sensex.
3. Write a note on NSE.
4. Appraise the regulatory framework of stock exchanges.
5. Analyse the factors that differentiate one index from another.
6. Explain E-IPOs.
7. Explain industry life cycle theory.

SECTION - B

Answer any **FOUR** of the following:

(4x10=40)

8. Explain any five forms of investment alternatives.
9. Analyse any two forecasting techniques
10. Explain Z score analysis.
11. Explain charting techniques.
12. Discuss the various methods of computation of stock market indices.
13. Explain the factors that are analysed in company analysis.

SECTION - C (Compulsory)

(1x10=10)

14. Explain breath of the market.

Calculate breadth of the market for the data given below.

Day	Advances	Declines
Tuesday	630	527
Wednesday	690	475
Thursday	746	424
Friday	492	630
Monday	366	701
Tuesday	404	698

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**St Aloysius College (Autonomous)
Mangaluru**

**Semester III – P.G. Examination – M.Com.
November - 2018**

MERGERS, ACQUISITIONS & CORPORATE RESTRUCTURING

Time: 3 hrs.

Max Marks: 70

SECTION - A

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Answer any **FIVE** of the following:

1. What is merger? Explain the various types of mergers.
2. Explain briefly the 'efficiency theory' and the monopoly theory' of merger.
3. What do you understand by 'Exchange Ratio'? What are the commonly used bases for determining Exchange Ratio?
4. Explain the rationale for joint venture.
5. What are the implications of Companies Act, 2013 on mergers and restructuring?
6. Discuss the tax aspects of demerger.
7. Write a note on Human Resource due diligence.

SECTION - B

Answer any **FOUR** of the following:

(4x10=40)

8. "Mergers and acquisitions do not always generate value". Comment.
9. Explain the various steps involved in a merger. State the provisions of AS14 and IFRS-13 relating to merger and acquisitions.
10. Discuss the various anti-takeover defences that are commonly followed.
11. As the finance manager of Multibex company you are investigating the acquisition of Unibex company. The following facts are given:

	Multibex company	Unibex company
Earnings per share	₹6.00	₹2.00
Dividend per share	₹3.00	₹1.20
Price per share	₹45.00	₹12.00
Number of shares	50,00,000	20,00,000

Investors currently expect the dividends and earnings of Unibex to grow at a steady rate of 5 per cent. After acquisition this growth rate would increase to 7 per cent without any additional investment.

- Required: a) What is the benefit of this acquisition?
- b) What is the cost of this acquisition to multibex company if it
- i) Pays ₹15 per share cash compensation to Unibex company and
 - ii) Offers one share for every three shares of unibex company?

Contd.....2

PH 312.3

12. Alpha corporation plans to acquire Beta corporation. The following information is available.

	Alpha Corporation	Beta corporation
Total current Earnings, E	₹50 million	₹20 million
Total Number of outstanding shares, S	20 million	10 million
Market price per share, P	₹ 30	₹20

- What is the maximum exchange ratio acceptable to the shareholders of Alpha corporation if the P/E ratio of the combined entity is 12 and there is no synergy gain?
- What is the minimum exchange ratio acceptable to the shareholders of Beta corporation if the P/E ratio of combined entity is 11 and there is a synergy benefit of 5 percent?
- Assuming that there is no synergy gain, at what level of P/E multiple will the lines ER_1 and ER_2 intersect?

13. Donatello Industries wishes to sell its sewer pipe division for \$10 million. Management of the division wishes to buy it and has arranged a leveraged buyout. Management will put up \$1 million in cash. The senior lender will advance \$7 million secured by all the assets of the company. The rate on the loan is 2 percent above the prime rate, which is currently 12 percent. The loan is payable in equal annual principal instalments over five year, with interest for the year payable at the end of each year. A junior subordinated loan of \$2 million also has been arranged and this loan is due at the end of six years. The interest rate is fixed at 15 percent and interest payments only are due at the end of each of the first 5 years. Interest and the entire principal are due at the end of 6th year. In addition the lender has received warrants exercisable for 50 percent of the stock.

The sewer pipe division expects EBIT of \$3.4 million in each of the first 3 years and \$ 3.7 million in the last 3 years. The tax rate is $33\frac{1}{3}\%$, and the company expects capital expenditure and investments in receivables and inventories to equal depreciation charges in each year. All debt servicing must come from profits (Assume also that the warrants are not exercised and there is no cash infusion as a result)

If the prime rate stays at 12 per cent on an average throughout the six years, will the enterprise be able to service the debt properly?

If the prime rate were to rise to 20 percent in the second year and average that for second year through the sixth year, would the situation change?

Contd.....3

PH 312.3

SECTION - C (Compulsory)

(1x10=10)

14. An acquirer has an operating profit of ₹350 million and the target firm has an operating profit of ₹175 million before the merger and acquisition deal. Post-acquisition, the deal is expected to create an operating synergy of 75 million in terms of revenue increase and cost reduction. The cost of capital is 10% and 12% for the acquirer and target company respectively. Post deal, cost of capital is 11.5% for the acquirer. If the reinvestment rate is 50% and the growth rate is 4.5% for the acquirer post M & A deal, determine the value of synergy gains and total consideration paid in the deal. Corporate tax rate is 35%.

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St Aloysius College (Autonomous)
Mangaluru

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

November - 2018

INVESTMENT BANKING AND FINANCIAL SERVICES

Time: 3 hrs.

Max Marks: 70

SECTION - A
Answer any FIVE of the following:

(5x4=20)

1. What are the functions of credit Rating firms?
2. State the objectives of depository services.
3. Define Lease. What are its essential elements?
4. Write a brief note on Book Built-offer.
5. Write a note on pricing of IPOs.
6. Distinguish between Investment Banking and Merchant Banking.
7. Define Non-Banking Financial Company.

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SECTION - B

Answer any FOUR of the following:

(4x10=40)

8. Discuss the problems and prospects of leasing industry in India.
9. Describe the depository process in India.
10. Explain the role and functions of IDBI and EXIM Bank.
11. Briefly explain the role of a Merchant Banker as Issue Manager.
12. Explain the underwriter's risks in firm underwriting.
13. Explain the features of New generation Banks with examples.

SECTION - C (Compulsory)

(1x10=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 for Rs 15,00,000. It is expected to have a useful life of 5 years with salvage value of Rs 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 year-end lease rentals of Rs 4,50,000 for 5 years. Advise the company which option it should choose. For your exercise, you may assume the following:
 - i) 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%.
 - ii) Tax rate is 35% and cost of capital is 18%.
 - iii) Lease rentals are to be paid at the end of the year.
 - iv) Maintenance expenses estimated at Rs 30,000 per year are to be borne by the lessee.

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St Aloysius College (Autonomous)
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Semester III – P.G. Examination – M.Com.
November - 2018

CORPORATE TAX PLANNING

Time: 3 hrs.

SECTION - A

Max Marks: 70

Answer any **FIVE** of the following:

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1. What is MAT credit u/s 115 JB? What are the conditions for carry forward and set off of MAT credit?
2. What do you mean by 'Slump Sale'? What are the tax implications on slump sale?
3. Explain the manner of computation of Income under tonnage scheme.
4. Royal company has calculated its Book profit as per the provisions of section 115 JB of the Income Tax Act 1961 at Rs 95 Lakhs as against the total income of Rs 30 Lakhs for the assessment year 2018-19 as per the statement of profit and loss account of the company. Calculate the amount of Tax payable by the company.
5. Shri Bharat, a resident Indian and aged 67 years, has derived the following income during the previous year 2017-2018.

	₹
Income from Business in India	5,00,000
Commission(Gross) from a company in Hong Kong (tax paid in Hong Kong Rs.6000)	2,00,000
Dividend(Gross) from a company in Hong Kong (tax paid in Hong Kong Rs.18000)	1,50,000
Interest on fixed deposit with banks in India.	80,000

India has no double tax avoidance agreement with Hong Kong. Compute the Income and Tax payable by Shri Bharat for the assessment year 2018-19.

6. A Ltd (domestic company) has taken a building on lease. It has subleased the building along with furniture to B Ltd(domestic company) and will receive the following amounts as consideration for the sublease during the financial year 2018-19.

Rent	Rs 4,80,000
Furniture hire charges	Rs 40,000

Compute deduction of Tax at source u/s 194I.

7. Give a note on Tax planning in relation to dividend Income.

SECTION – B

Answer any **FOUR** of the following:

(4x10=40)

8. What do you mean by the term 'Infrastructure Facility'? Explain briefly the deductions in respect of profits and gives from undertaking engaged in infrastructure Development.

Contd..2

PS 314.3

- 9. What is 'Unilateral Relief' in the case of doubly taxed income? Briefly explain the provisions of section 91 of the Income Tax Act 1961 relating to grant of unilateral relief to tax payers.
- 10. What do you mean by Arm's Length Pricing? Briefly explain the methods of arms length pricing.
- 11. From the following information determine whether the assessee should purchase an asset or take on lease.

Cost of the asset Rs 1,00,000
 Rate of Depreciation 15%
 Rate of Interest 10%
 Repayment of loan by the assessee Rs 20,000 per annum.
 Rate of Tax 30.9%
 Residual value Rs 20,000 after 5 years.
 Profit of the assessee Rs 1,00,000 before depreciation interest and tax/before lease rent and tax.
 Lease Rent Rs 30,000 per annum.

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- 12. A company requires 20,000 units of a component every year for the next five years. The component can either be manufactured by the company in its factory or be purchased from the market. From the following information suggest to the company whether it should make the component or buy it from the market.

Material cost per unit Rs 4
 Labour cost per unit Rs 6
 Variable cost per unit Rs 2

If the company manufactures the part, it has to purchase a machine taking a loan from the bank. The present value of the net cash out flow in this regard in five years will be Rs 1,00,000.

The component is available in the market at

- a) Rs 12.50 per unit
- b) Rs 14.00 per unit

- 13. A domestic company submits the following particulars of its income of the previous year ended 31st March 2018.

Profit of business after deduction of donation to approved charitable institution	Rs 4,00,000
Donation to charitable Institution by cheque	Rs 50,000
Interest on Government security	Rs 20,000
Dividend from a domestic company(Gross)	Rs 60,000
Long term capital gain	Rs 1,00,000
Book profit u/s 115 JB	Rs 10,00,000

During the financial year 2017-18 the company deposited Rs 50,000 in industrial development bank of India. The company distributed dividend of Rs 1,00,000 on 6th Sept 2017.

Compute the taxable income of the company and tax payable by it for the Assessment year 2018-19.

SECTION C (Compulsory)

14. The following is the P/L a/c of MTR Ltd, an Indian company for the financial year ending 31st March 2018.

To Purchases	24,00,000	By Sale	1,00,00,000
To factory expenses	24,00,000	By dividend from foreign company	10,00,000
To Depreciation	4,00,000		
To General Expenses	2,00,000		
To Income Tax	4,00,000		
To net profit	52,00,000		
	1,10,00,000		1,10,00,000

- 1) Depreciation allowable as per Income Tax Act is Rs 3,00,000.
- 2) The company has various depreciable assets. During the year, a block of P & M was revalued to a higher figure; such revaluation resulted in excess depreciation of Rs.40,000.
- 3) General expenses include actual bad debts of Rs 2,000.

Calculate:

- a) Total Income under normal provisions of Income Tax Act for AY 2018-19.
- b) Book profit under MAT
- c) Find Tax Liability

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Semester III – P.G. Examination – M.Com.
November - 2018
CONTEMPORARY ISSUES IN ACCOUNTING

Time: 3 hrs.

Max Marks: 70

SECTION - A

Answer any **FIVE** of the following:

(5x4=20)

1. Venus Ltd has an asset which is carried in the balance sheet on 31-3-2018 at Rs 500 lakhs. As at that date the value in use is Rs 400 lakhs and the net selling price is Rs 375 lakhs.
Calculate impairment loss as per Indian GAAP.
2. Explain the concept of Gross Value added.
3. Describe the concept of shareholders Value Added.
4. List the implications of Human Asset Reporting.
5. Write a note on accountability of forensic accountants.
6. Analyse the importance of social accounting.
7. What is creative accounting?

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SECTION - B

Answer any **FOUR** of the following:

(4x10=40)

8. Explain Lev and Schwartz model of human resource accounting. From the data given below calculate the value of human resource using Lev and Schwartz model.

Age(in years)	Average annual earnings per employee (Skilled employee)
25-34	Rs 60,000
35-44	Rs 75,000
45-54	Rs 1,00,000

There are 400 skilled employees in the organization. Assume the discount rate at 12%.

9. Discuss the various window dressing practices adopted by corporates and explain their impact on the performance.
10. Write a note on Human Resource Accounting practices in India.
11. Describe the methodology of preparation of social income statement and social balance sheet with the help of an illustration.
12. Describe the impact of creative accounting on corporates. Discuss the measurement to mitigate creative accounting.

Contd...2

PS 315.3

13. Compute EVA of X Ltd for two years from the information given below

	Year 1	Year 2
Average capital employed (lakhs)	Rs 3,000	Rs 3,500
Operating profit before interest(lakhs) (adjusted for tax effect)	Rs 850	Rs 1,250
Corporate income taxes(lakhs)	Rs 80	Rs 70
Average debt to total capital employed(%)	40%	35%
Beta	1.10	1.20
Risk free rate(%)	12.50%	12.50%
Equity risk premium(%)	10%	10%
Cost of debt(post tax)	19%	19%

SECTION - C (Compulsory)

(1x10=10)

14. From the following data prepare a value added statement of B Ltd for the year ended 31-3-2018.

Particulars	Rs	Particulars	Rs
Decrease in stock	24,000	Sales	40,19,000
Purchases	20,20,000	Other income	55,000
Wages and salaries	10,00,000		
Manufacturing expenses	2,30,000		
Finance charges	4,69,000		
Depreciation	2,44,000		
Profit before taxation	87,000		
	40,74,000		40,74,000

Particulars	Rs
Profit before Taxation(PBT)	87,000
Less: Tax provision	(40,000)
Income tax payments(for entire years)	(3000)
Add: Earlier year profit- brought forward	38,000
Profit after taxation(PAT)	82,000
Appropriation of PAT :	
Debenture Redemption Reserve	10,000
General Reserve	10,000
Proposed Dividend	35,000
Balance carried to balance sheet	27,000
Total	82,000

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

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EQUITY RESEARCH AND SECURITY MARKET OPERATION

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Max Marks: 70

Time: 3 hrs.

SECTION - A

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

1. Define Equity Research. State the objectives of Equity Research.
2. What do you mean by secondary market? Distinguish between primary market and secondary market.
3. Write a note z-score analysis.
4. Give the meaning of technical analysis. What are the assumptions of technical analysis?
5. What are Japanese candle sticks? How are they used to analyse the stocks?
6. Briefly explain the liquidity ratios
7. Calculate a five day moving average from the closing prices of shares given below.

Day	1	2	3	4	5	6	7	8	9	10
Prices (₹)	510	522	538	546	546	556	542	542	552	534

SECTION - B

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

8. Highlight the various measures taken by SEBI to protect the interests of the investors.
9. Critically analyse the various technical analysis tools and their utility.
10. "Industry life cycle performance accelerates market growth as well as facilitates investors to enter and exit from the market" Elaborate this statement with reference to different stages.
11. Describe the techniques commonly used by analysts in economic forecasting.

Contd...2

12. From the following data, calculate -

- a) Price-weighted Index b) Equally weighted Index
c) Value Weighted Index

Stocks	Share Prices on 30.6.2016 (₹)	Share Prices on 30.6.2017 (₹)	Number of shares outstanding
A	54	60	1,00,000
B	60	64	1,50,000
C	65	72	2,00,000

Consider 30.06.2016 as Base Year.

13. a) Write a note on 'Breadth of the market'.
b) Compute the breadth of the market from the following details.

Day	Number of shares advances	Number of shares Declines
1	802	748
2	917	640
3	703	772
4	512	1122
5	633	1044

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SECTION - C (Compulsory)

(1x10=10)

14. Closing values of BSE Sensex from 6th to 17th January 2017 were as follows

Day	Date	Week day	Sensex
1	6	Thursday	14522
2	7	Friday	14925
3	8	Saturday	No trading
4	9	Sunday	No trading
5	10	Monday	15222
6	11	Tuesday	16000
7	12	Wednesday	16400
8	13	Thursday	17000
9	14	Friday	No trading
10	15	Saturday	No trading
11	16	Sunday	No trading
12	17	Monday	18000

Compute 5 day Exponential Moving Average (EMA) of the sensex during the above period.

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MERGERS, ACQUISITIONS & CORPORATE RESTRUCTURING

Time: 3 hrs.

Max Marks: 70

SECTION - A

Answer any **FIVE** of the following:

(5x4=20)

1. Explain the five stage (5-s) model of merger.
2. List the common reasons for failure of Mergers and Acquisitions.
3. Explain the procedure for evaluating a merger as a capital budgeting proposal.
4. Give an account of different methods of corporate restructuring.
5. What are the salient features of SEBI's regulations relating to substantial acquisitions of shares and takeovers?
6. Define 'Demerger'. Explain different forms of Demergers.
7. Explain the provisions of AS-14 and IFRS-3 pertaining to mergers and acquisitions.

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SECTION - B

Answer any **FOUR** of the following:

(4x10=40)

8. "Mergers are not always driven by a desire to diversify and grow". Comment.
9. Explain the process of mergers and acquisition in detail.
10. Explain the concept of due diligence. Why do companies feel the need for due diligence?
11. Firm A is planning to acquire firm B. The relevant details of the two firms prior to merger announcement are as follows:

	Firm A	Firm B
Market price per share (₹)	75	30
Number of shares	1,00,000	50,000
Market value of the firm (₹)	75,00,000	15,00,000

The merger is expected to bring gains which have a present value of ₹15,00,000. Firm A offers 25,000 shares in exchange for 50,000 shares to the shareholders of firm B.

You are required to calculate:

- i) True cost of firm A for acquiring firm B.
- ii) Net present value of the merger to firms A and B.

Contd.....2

12. A Ltd is negotiating to acquire T Ltd. The financial details of both the companies are given below.

Particulars	A Ltd	T Ltd
Earnings	₹50 lakh	₹10 lakh
No of shares outstanding	10 lakh	4 lakh
EPS	₹5	₹2.5
P/E Ratio (times)	12	6
Market Price per share	₹60	₹15

You are required to compute minimum and maximum exchange ratio acceptable to the shareholders of T Ltd and A Ltd respectively at P/E levels of 9, 10, 11, 12 and 13 times.

13. McNabb Enterprises is considering going private through a leveraged buyout by management. Management currently owns 21 percent of the 5 million shares outstanding. Market price per share is ₹20 and it is felt that a 40 percent premium over the present price will be necessary to entice public shareholders to tender their shares in a cash offer. Management intends to keep its shares and to obtain senior debt equal to 80 percent of the funds necessary to consummate the buyout. The remaining 20 percent will come from junior subordinated debentures.

Terms on the senior debt are 2 percent above the prime rate with principal reductions of 20 percent of the initial loan at the end of each of the next five years. The junior subordinated debentures bear a 13 percent interest rate and must be retired at the end of six years with a single balloon payment. The debentures have warrants attached that enable the holders to purchase 30 percent of the stock at the end of 6th year. Management estimates that earnings before interest and taxes will be ₹25 million per year. Because of tax-loss carry forwards, the company expects to pay no taxes over the next five years. The company will make capital expenditures in amounts equal to its depreciation.

- If the prime rate is expected to average 10% over the next 5 years, is the leveraged buyout feasible?
- What if the prime rate averages only 8 percent?
- What minimal EBIT is necessary to service the debt?

Contd.....3

SECTION - C (Compulsory)

(1x10=10)

14. Luxury foods is contemplating acquisition of Galaxy Canning company for a cash price of ₹1,80,000. Luxury currently has a high financial leverage and therefore has a cost of capital of 14 percent. As a result of acquiring Galaxy Canning, the firm expects its financial leverage is reduced and its cost of capital to drop to 11 per unit. The acquisition of Galaxy Canning expected to increase Luxury's cashflows by ₹20,000 per year for the first 3 years and by ₹30,000 per year for the following 12 years.

- a) Determine whether the proposed cash acquisition is desirable. Explain your answer.
- b) If the firm's financial leverage would actually remain unchanged as a result of the proposed acquisition, would this alter your recommendation in part 'a'? Support your answer with numerical data.

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November – 2017

INVESTMENT BANKING AND FINANCIAL SERVICES

Time: 3 hrs.

Max Marks: 70

SECTION - A

Answer any **FIVE** of the following:

(5x4=20)

1. Define 'Merchant Banker'.
2. What is the differences between 'private placement' and 'Right issue'?
3. Write a note on SEBI Regulations governing underwriting of shares and debentures.
4. Explain the development and regulations of investment banking in India.
5. Who is a depository?
6. What are the advantages of forfeiting?
7. Write a note on NBFC.

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SECTION - B

Answer any **FOUR** of the following:

(4x10=40)

8. Briefly provide the structure of investment banking and financial services in India.
9. Explain the functions of Merchant Bankers in Issue Management.
10. Explain the process involved in pricing of IPO's
11. What is Credit Rating? Explain the credit rating mechanism of any four rating agencies.
12. Explain the services offered by NSDL and CDSL.
13. Explain the function and role of EXIM Bank.

SECTION - C (Compulsory)

(1x10=10)

14. Maruthi Ltd is the business of manufacturing aluminum products. 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 machines can be purchased for ₹15,00,000. It is expected to have a useful life 5 years with the salvage value of ₹1,00,000 after expiry of 5 years. The purchase can be financed by 20 percent loan repayable in 5 equal annual installments (inclusive of interest) becoming due at the beginning of each year. Alternatively, the machine can be taken on year end lease rentals of ₹4,50,000 for 5 years. Advice the company on the option it should choose. For your exercise, you may assume the following.

1. The machine will constitute a separate block for depreciation purpose. The company follows W.D.V method of depreciation, the rate of depreciation being 20%.
2. Tax rate is 35% per cent and cost of capital is per cent.
3. Lease rentals to be paid at the beginning of year.
4. Maintenance expenses estimated at ₹30,000 per year are to be borne by the lessee.

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November - 2017.
CORPORATE TAX PLANNING

Time: 3 hrs.

SECTION - A

Max Marks: 70

Answer any **FIVE** of the following:

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1. S Ltd, located in SEZ, furnishes you the following information:
 - a) Export projects of ₹250 lakh pertaining to previous year 2016-17.
 - b) Income from other sources of ₹50 lakh pertaining to previous year 2016-17.
 - c) Unabsorbed depreciation of ₹100 lakh pertaining to assessment year 2013-14.

S Ltd claimed deduction of ₹250 lakh under section 10AA, set-off the income from other sources from unabsorbed depreciation and hence computed its tax liability as NIL. Decide whether the computation made by S Ltd is correct.
2. Explain in the context of provisions of the Act: The underlying idea behind DTAA.
3. Explain the manner of computation of Income under tonnage tax scheme.
4. Mention any four methods of computing Arm's length price as per transfer pricing provisions.
5. Discuss with reasons whether tax has to be deducted at source in the following situations, which have taken place during the year ending March 31, 2017 -
 - i) X & Co., a partnership firm, pays a sum of ₹43,000 as interest on loan borrowed from Indian branch of a foreign Bank.
 - ii) Above firm has paid ₹14,000 as Interest on capital to partner A, a resident in India and ₹22,000 as Interest on capital to partner B, a non-resident.
6. What tax considerations one has to keep in mind while taking 'make or buy' decision?
7. Mr Bamal, a resident Indian and aged 67 years, has derived the following income during the previous year 2016-17.

	₹
Income from business in India	2,50,000
Commission (Gross) from a company in Hong Kong (tax paid in Hong Kong ₹60,000)	3,00,000
Dividend (Gross) from a company in Hong kong (Tax paid in Hong Kong ₹18,000)	90,000
Interest on fixed deposit with banks in India	2,00,000

India has no double tax avoidance agreement with Hong Kong. Compute the Income and tax payable by Mr. Bansal for assessment year 2017-18.

Contd.....2

Answer any **FOUR** of the following:

(4x10=40)

8. X submits the following details about his assets:

	Depreciation Rate (%)	W.D.V as on 01.04.2016
Machine I	25	1,50,000
Furniture	15	50,000
Machine II	25	50,000
Machine III	50	40,000
Computer (one)	60	40,000

Machine II (depreciation rate 25%) was sold for ₹62,000 in May 2016. A Machine (depreciation rate 25%) and a computer were brought for ₹80,000 and ₹20,000 respectively in November 2016. Compute depreciation allowance for the previous year 2016/17.

9. Explain the term "Bilateral Relief" in the context of Double Taxation Avoidance agreement, highlighting its provisions.
10. Tarun shipping Co Ltd, having its registered office in Mumbai, plies two oceangoing vessels which it owns. Registered tonnage of two vessels is 47,549 tonnes and 800 kgs and 25,749 tonnes and 400 kgs respectively. In the accounting year, the first vessel was operated for 360 days and the second for 199 days.

The accounts of the company reveal the following results:

- Profit from core shipping activity ₹60.50 lakh
- Profit from incidental activity ₹15,000

Compute the tax payable by the company for the assessment year 2017-18, taking note of the new provisions of the law relating to taxation of income of shipping companies.

11. Compute the amount of TDS on the following payments made by S Ltd. During the previous year 2016-17 as per provisions of the Income tax Act, 1961-

S. No	Date	Nature of payment
i	01.10.2016	Payment of ₹2,00,000 to Mr. R a transporter who is having PAN.
ii	01.11.2016	Payment of Fees for technical services of ₹25,000 and Royalty of ₹20,000 to Mr. Shyam who is having PAN.
iii	30.06.2016	Payment of ₹25,000 to m/s X Ltd for repair of building.
iv	01.01.2017	Payment of ₹2,00,000 made to Mr A for purchase of Diaries made according to specifications of m/s S Ltd However, no material was supplied for such diaries to Mr A by m/s S Ltd.
v	01.01.2017	Payment of ₹80,000 made to Mr Bharat for compulsory acquisition of his house a per law of the state Government
vi	01.02.2017	Payment of commission of ₹6,000 to Mr. Y

Contd...3

12. What are closely held companies, openly held companies and Industrial companies? Explain the provisions of sec.79 for carry forward and set-off of losses in the case of certain companies.

13. A plant is to be purchased for ₹20,00,000. The depreciation rate is 15 percent and the corporate tax rate is 32.445 percent. The weighted average cost of capital is 10 percent. The life of the machine is 10 years.

A loan of 70% amount can be had by accepting public deposits at the interest rate of 9 percent for financing the investment in plant. It is assumed that the public deposits are repaid after 10 years. On the other hand, the asset can be obtained on lease. The lease rentals are at the rate of ₹6,00,000 per annum for the primary lease period of 5 years. Beyond this peppercorn rentals of ₹10,000 per annum are to be paid. A lease management fee of ₹50,000 is payable on inception of the lease.

Which alternative from above is the most economical from the view point of tax planning?

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SECTION - C (Compulsory) (1x10=10)

14. The following is the profit and loss account of CM Ltd, an Indian company for the financial year ending 31 March 2017.

To Purchases	12,00,000	By sales	50,00,000
To factory expenses	12,00,000	By Dividend from foreign company	5,00,000
To Depreciation	2,00,000		
To General expenses	1,00,000		
To Income tax	2,00,000		
To Net project	26,00,000		
	55,00,000		55,00,000

- i) Depreciation allowable as per Income tax Act is ₹1,50,000.
- ii) The company has various depreciable assets. During the year, a block of P & M was revalued to a higher figure; such revaluation resulted in excess depreciation of ₹20,000.
- iii) General expenses include actual bad debts of ₹1,000.

Calculate:

- A. Total Income under Normal provisions of Income tax Act for Assessment year 2017-18.
- B. Book projects under MAT.
- C. Final tax liability.

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CONTEMPORARY ISSUES IN ACCOUNTING

Time: 3 Hours

Max. Marks: 70

SECTION - A

Answer any **FIVE** of the following:

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(5x4=20)

1. List the objectives of forensic accounting.
2. What are the limitations of environmental accounting?
3. Why do corporates follow creative accounting?
4. Describe the need for global convergence of accounting practices.
5. Explain the significance of IFRS.
6. Explain the concept of value added.
7. Define International Accounting. Explain the scope of International accounting.

SECTION - B

Answer any **FOUR** of the following:

(4x10=40)

8. Explain the methods of measurement of social costs and social benefits. Present the format of social balance sheet.
9. Explain the challenges of the global convergence of accounting standards.
10. Discuss the impact of window dressing practices on the performance of a company.
11. Analyse the significance of environmental accounting. List the reporting requirements of environmental accounting in the annual reports of companies.
12. From the following details compute the value of human resources of an employee group with an average age of 55 years without using present value of an annuity.
 - i) Annual average earnings of an employee till the retirement age - ₹ 20,000
 - ii) Age of retirement - 60 years
 - iii) Cost of capital - 10%
 - iv) No. of employees in the group - 10.
13. Explain the Lev & Schwartz model of human resource accounting with the help of hypothetical illustration.

Contd...2

PS 315.3

SECTION - C (Compulsory)

14. From the following information taken from the books of X Ltd, prepare social income statement.

	₹
Environmental Improvements	20,30,000
Medical facilities	65,00,000
Training programmes	10,75,000
Generation of job opportunities	55,75,000
Municipal taxes	10,90,000
Increase in cost of living in the vicinity due to thermal station	16,75,000
Concessional transport	11,10,000
Extra work put in by staff for drought relief	19,50,000
Leave encashment	49,00,000
Education facilities for children of staff members	22,00,000
Subsidized canteen facilities	13,40,000
Generation of business	27,00,000

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