

**St Aloysius College (Autonomous)****Mangaluru****Semester IV – P.G. Examination – M.Com.****July - 2022****INTERNATIONAL FINANCIAL MANAGEMENT**ST. ALOYSIUS COLLEGE  
P.G. LIBRARY  
MANGALORE - 575 004

Time: 3 hrs.

Max Marks: 70

**SECTION - A****Answer any FIVE of the following.****(5x4=20)**

1. Explain the functions of the International Monetary Fund.
2. Discuss the pros and cons of capital account convertibility.
3. Examine the features of Indian forex market.
4. Explain the effect of change in interest rates on exchange rates.
5. A foreign exchange dealer has given the following information for a particular currency. The quoted price CAD1= EURO 0.7400; CAD1= USD 0.8000 and USD1=EURO 0.9200. On the basis of the above information, is triangular arbitrage possible? If yes, calculate the profit by considering USD 10,00,000(1 million)
6. Explain various translation methods.
7. Examine the characteristics of project finance.

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

8. What is foreign Exchange market? What are the factors which affects the foreign exchange rate of any country?
9. A series of transactions between united states and the rest of the world are given below:
  - i) An American company exports goods to a French company for \$ 40,000. The French company signs a bill of exchange for its imports.
  - ii) An American chemical company decides to build a chemical plant in Brazil. The company ships \$ 80,000 worth of materials to Brazil.
  - iii) An Indian American ships \$ 10,000 worth of goods to his relatives in India.
  - iv) An American company imports \$ 10,000 worth of goods from China.
  - v) An American citizen buys British Government bonds for \$ 50,000 in cash.
10. Prepare the balance of payment for the United States.
11. Explain the various forms of exchange rates arrangements used worldwide.
12. Critically examine the purchasing power parity (PPP) theory.
13. Discuss the hedging strategies to manage transaction exposure with suitable examples.
14. Describe the objectives and special issues of International Working Capital Management.

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

14. From the following information, show the possibility of arbitrage and quantum of gain, when the currency borrowed is 1,00,000 units.

Spot exchange rate : ₹ 92.66 / £

6 months forward rate : ₹ 94.20 / £

Interest rate prevailing in India : 12% p.a

Interest rate prevailing in London : 5% p.a

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**St Aloysius College (Autonomous)**

**Mangaluru**

**Semester IV – P.G. Examination – M.Com.**

**July - 2022**

**CORPORATE LAW, ETHICS AND GOVERNANCE**

Time: 3 hrs.

Max Marks: 70

**SECTION - A**

Answer any **FIVE** of the following:

(5x4=20)

1. Define the term ethical dilemma with an example?
2. Give a brief account of establishment and management of SEBI?
3. Review the term corporate governance in detail.
4. Explain the terms 'Memorandum of Association' and 'Articles of Association'.
5. Analyze the features of corporate philanthropy in India?
6. What is meant by ecological ethics?
7. Describe the concept 'insider trading'.

**SECTION - B**

Answer any **FOUR** of the following:

(4x10=40)

8. Elucidate the importance of ethics in marketing and consumer protection with examples.
9. Mention in detail the committees and codes of Corporate Governance in India.
10. Enumerate in detail the instances where corporate veil can be lifted.
11. Examine the CSR mechanisms that are practiced by the companies.
12. What is whistle blower protection act 2014? Analyse a real-life case of whistle blower in India.
13. Corporate scandals are on the rise in this globalisation era. Discuss.

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

14. Analyze the case and answer the questions following it:

Enron was formed from the merger in 1985 of Houston Natural Gas and Inter-north. In just over 15 years, it transformed itself from a regulated natural gas company into one of the world's largest energy traders. With more than 21,000 employees around the world, its revenues were over \$100bn in 2000. Enron grew rapidly, containing three businesses, energy wholesale and global services.

When the firm reported its third quarter results in October 2001, it revealed a large, unexplained hole that sent its share price tumbling. The U.S financial regulator-the Securities Exchange Commission (SEC) launched an investigation into the firm and its results. Enron then admitted it had inflated its profits, sending shares even lower. A potential buyer for Enron, shied away from the company, leaving it no choice but to file for bankruptcy on 2<sup>nd</sup> December 2001.

Enron's trading operations relied heavily on exceptionally complicated financial transactions, some relating to deals many years in the future. Auditing this sort of business is never easy, but it seems the situation at Enron was exacerbated either by incompetence or criminality among senior managers. No one, it seems, really understands what Enron has been doing these past few years. The revenues have largely been obscured by the accounting tricks, which have seen it become the subject of US investigations and a takeover for a much smaller company. At the end of February 2004, accounting giant Arthur Andersen gave its official seal of approval to Enron's Annual report. The auditor's statement was clear: the energy firm's accounts presented "fairly, in all material aspects, the financial position of Enron corp and subsidiaries.

Nine months later, Enron admitted that its accounts for that year, and for the three previous years, had been more or less fictional-an admission that culminated in the firm's messy bankruptcy.

- What do you think are the reasons for the sudden collapse of Enron?
- Was Enron having proper corporate governance in place? If not, what precisely was lacking?
- What lessons can be learned from the Enron saga?

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**Semester IV - P.G. Examination - M.Com.**

**July - 2022**

**COST AND MANAGEMENT ACCOUNTING**

Time: 3 hrs.

Max Marks: 70

**SECTION - A**

Answer any **FIVE** of the following:

(5x4=20)

1. Discuss the scope and functions of management accounting.
2. Cost accounting is an essential tool of management. Explain.
3. Write a note on product mix pricing strategy.
4. Write a note on Total Quality Management.
5. A company sold in 2 successive periods 7000 units and 9000 units and has incurred a loss of ₹10,000 and earned ₹10,000 as profit respectively. The selling price per unit can be assumed at ₹100.  
You are required to calculate
  - a) The amount of fixed cost
  - b) The number of units to break-even.
  - c) The number of units to earn a profit of ₹40,000
6. From the data given below, calculate the Material Price Variance, Material Usage Variance and Material Mix Variance. Consumption per 100 units of product:

Raw material	Standard	Actual
A	40 units @ ₹50 per unit	50 units @ ₹50 per unit
B	60 units @ ₹40 per unit	60 units @ ₹45 per unit

7. The following data pertain to two types of products manufactured by a company:

	Per unit	
	Sales Price	Variable cost
Product Y	₹120	₹70
Product Z	₹500	₹200

Fixed costs total to ₹3,00,000 annually. The expected mix in units is 60% for product Y and 40% for product Z.

- i) How much is the break-even sales in units?
- ii) How much is the break-even sales in rupees?

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## SECTION - B

Answer any **FOUR** of the following:

(4x10=40)

8. A product passes through 3 processes - A, B & C. The details of expenses incurred on the 3 processes during the year were as follows -

Processes	A	B	C
Units introduced	10,000		
Cost per unit	₹100		
Sundry materials	₹10,000	₹15,000	₹5,000
Labour	₹30,000	₹80,000	₹65,000
Direct expenses	₹6,000	₹18,150	₹27,200
Selling price per unit of output	₹120	₹165	₹250

Management expenses during the year were ₹80,000 and selling price were ₹50,000. These are not allowable to the process.

Actual output of the 3 processes was A-9300 units, B-5400 units C-2100 units. Two-thirds of the output of process A and one half of the output of process B was passed on to the next process and the balance was sold. The entire output of process C was sold.

The normal loss of the 3 processes calculated on the input of every process was, process A - 5%, B - 15% and C-20%. The loss of process A was sold at ₹2 per unit, that of B at ₹5 per unit and process C at ₹10 per unit.

9. Standard hours for manufacturing two products M & N are 15 hours per unit & 20 hours per unit respectively. Both products require identical kind of labour and the standard wage rates per hour is ₹5. In the year 2008, 10000 units of M and 15000 units of N were manufactured. The total of labour hours actually worked were 4,50,500 and the actual wage bill came to ₹23,00,000. This include 12000 hours paid for ₹7 per hour and 9,400 hours paid for @ ₹7.50 per hour, the balance having been paid at ₹5 per hour.

You are required to compute the labour variances.

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10. On the basis of the following information, calculate the total overhead cost per unit of the 2 products separately under.

- a) Traditional costing system based on volume  
b) Activity based costing

	Machine hour per unit	Direct labour hour/unit	output (units)	No of purchase orders	No of set ups
Product A:	2	4	2000	100	30
Product B:	2	4	5000	150	70

The cost of the activities is as follows.

	₹
Value related	70,000
Purchase related	1,40,000
Set up related	2,10,000
	4,20,000

11. Explain the factors and theory of pricing of products in the knowledge era.  
12. Explain balanced score card. Explain its various perspectives.  
13. Explain various marginal costing techniques in decision making.

### SECTION - C (Compulsory)

(1x10=10)

14. In a manufacturing process the following standards apply:

Standard Prices: Raw material A ₹10 per kg

Raw material B ₹50 per kg

Standard Mix: 75% A and 25% B (by weight)

Standard output (weight of product as a percentage of weight of raw material) - 90%

In a particular period actual costs, usages and output were as follows:

4,400 kgs of A costing ₹46,500

1,600 kgs of B costing ₹78,500

Output 5,670 kgs of product.

The budgeted output for the period was 7,200 kgs.

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**Semester IV – P.G. Examination – M.Com.**

**July - 2022**

**DERIVATIVES AND RISK MANAGEMENT**

**Time: 3 hrs.**

**Max Marks: 70**

**SECTION - A**

**Answer any FIVE of the following.**

**(5x4=20)**

1. Summarise the key difference between forwards and futures.
2. What is cost of risk? State its important components.
3. Write a note on MCX.
4. Explain the terms In-The Money, At-The-Money and Out of-The-Money with examples.
5. What is Swaps? Give an outline of comparative advantage argument in the context of Swaps.
6. Give an overview of regulatory framework for Derivatives Trading in India.
7. State the key assumptions underlying Binomial Option pricing model and Black Scholes model.

**SECTION - B**

**Answer any FOUR of the following.**

**(4x10=40)**

8. Describe the features of Derivatives. Explain briefly the various Derivative products.
9. Explain the sources financial risk. Discuss the process of risk management.
10. Discuss the functions of Derivative Market. What are the criticisms of derivatives market?
11. A refinery needs 1075 barrels of crude oil in the month of September. The current price of oil is ₹ 3,000 per barrel. September futures contract at MCX are trading at ₹ 3,200. The firm expects the price to go up further, and even beyond ₹ 3,200 in September. It has the option of buying the stock now. Alternatively, it can hedge through a future contract. The size of futures contract is 100 barrels.
  - a) If the cost of capital, insurance and storage is 15% p.a, examine whether it is beneficial for the firm to buy now. (Consider today is 1<sup>st</sup> April).
  - b) If the firm decides to hedge through futures, find out the effective price it would pay for crude oil if at the time of lifting the hedge the spot and futures prices are
    - i) ₹ 2,900 and ₹ 2,910 respectively
    - ii) ₹ 3,300 and ₹ 3,315 respectively

**Contd...2**

12. From the following data, calculate the values of call option and put option using Black - Scholes model.

Current price of the share :	₹ 486
Exercise price :	₹ 500
Time to expiration :	65 days
Standard deviation :	0.54
Continuously compounded rate of interest :	9% p.a
Dividend expected :	Nil

13. Assume that TATA motors share price on Jan 1 is 725 and call and put options are available with maturity in June. Option series A has an exercise price of ₹ 740. While series B has an exercise price of ₹ 760 for both calls and puts. The price of a call option with an exercise price of ₹ 740 is ₹ 35 and the price of a call with an exercise price of ₹ 760 is ₹ 20.

The put prices are ₹ 48 and ₹ 60 for options with exercise price of ₹ 740 and ₹ 760 respectively.

Assuming the following are the likely stock price:-

₹600	₹640	₹720	₹740	₹760	₹840	₹880
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Show the profit/ loss calculation from bull spread using calls and puts.

### SECTION - C (Compulsory)

(1x10=10)

14. Amit a cashew merchant wants to sell 5 cashew contract on March 5<sup>th</sup> at 5600 each. The initial margin for Amit is 5.5% of the contract value. The future price is for each carton and the contract size is 50 cartons. The futures price from March 6 to 16 are shown below. The variation margin is 80% of initial margin. Prepare margin account for Amit. March 5<sup>th</sup> is Monday and trading takes place only on week days:

Date	Future Price
5	5600
6	5650
7	5675
8	5610
9	5570
12	5520
13	5400
14	5480
15	5570
16	5650

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**St Aloysius College (Autonomous)**  
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**Semester IV - P.G. Examination - M.Com.**  
**July - 2022**  
**PORTFOLIO THEORY AND MANAGEMENT**

Time: 3 hrs.

Max Marks: 70

**SECTION - A**

Answer any **FIVE** of the following:

(5x4=20)

1. "Systematic risk cannot be controlled while unsystematic risk can be reduced"-Discuss.
2. A stock earns the following returns over a five year period  $R_1=0.20$ ,  $R_2=-0.10$ ,  $R_3=0.18$ ,  $R_4=0.12$  and  $R_5=0.16$ . Calculate the following:
  - a) Arithmetic Mean Return
  - b) Cumulative wealth Index
3. "Benjamin Graham was a Quantitative navigator". Illustrate.
4. Distinguish between the feasible set of portfolios and the efficient set of portfolios.
5. Discuss the steps in Personal Financial Planning process.
6. Explain the difference between a security market line and the capital market line.
7. The following information is available in respect of the return from security X under different economic conditions:

Economic conditions	Return	Probability
Good	20%	0.1
Average	16%	0.4
Bad	10%	0.3
Poor	03%	0.2

Find out the expected return of the security and the risk associated with that.

**SECTION - B**

Answer any **FOUR** of the following:

(4x10=40)

8. Describe the Sharpe's Single Index model. Illustrate with suitable examples, how security return and risk are estimated under single index model.
9. Illustrate graphically how CAPM can be used for assessing whether a security is underpriced, overpriced or correctly priced.

Contd...2

10. The following three portfolios provide the particulars given below:

Portfolio	Average Annual return	Standard deviation	Beta
A	25.38	4	0.23
B	25.11	9.01	0.56
C	25.01	3.55	0.59

Risk free rate of Interest is 9.

Rank these portfolios using Sharpe's and Treynor's methods. Comment.

11. The estimates of the standard deviations and correlation coefficients for three stocks are given below:

Stock	Standard deviation	Correlation with stock		
		A	B	C
A	32	1.00	-0.80	0.40
B	26	-0.80	1.00	0.65
C	18	0.40	0.65	1.00

If a portfolio is constructed with 15% of stock A, 50% of stock B and 35% of stock C, What is the portfolio's standard deviation? Draft the variance-covariance Matrix.

12. Discuss the 'twelve pillars of investment wisdom' spelt out by John Bogle.

13. The returns of four stocks, A, B, C and D over a period of six years have been as follows:

	1	2	3	4	5	6
A	10%	12%	-8%	15%	-2%	20%
B	8%	4%	15%	12%	10%	6%
C	7%	8%	12%	9%	6%	12%
D	9%	9%	11%	4%	8%	16%

Calculate the return on:

- A portfolio of one stock at a time.
- Portfolios of two stocks at a time.
- Portfolios of three stocks at a time.
- A portfolio of all the four stocks.

Assume equiproportional investment.

**SECTION - C (Compulsory)**

(1x10=10)

14. Return on shares of ABC Ltd. and PQR Ltd for the past two years are as follows:

	Year 1	Year 2
ABC Ltd	11%	17%
PQR Ltd	20%	08%

Calculate the following:

- Expected return of portfolio made up of 50 percent of ABC Ltd and 50 percent of PQR Ltd.
- Expected return of portfolio made up of 60 percent of ABC Ltd. and 40 percent of PQR Ltd.
- Standard deviation of each stock.
- Covariance and co-efficient of correlation between the two.
- Portfolio risk if both are invested in the ratio of 2:1
- Overall portfolio risk if the ratio of investment is 1:1.

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