PH 312.4

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St Aloysius College (Autonomous)

Mangaluru

Semester IV– P.G. Examination – M.Com

August / September 2021

INTERNATIONAL FINANCIAL MANAGEMENT

Time: 3 hrs. **Max Marks: 70**

SECTION – A

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

1. Explain the functions of International Monetary Fund.
2. Outline the structure of Balance of Payment statement.
3. Explain the types of transactions in a foreign exchange market.
4. Discuss the factors affecting exchange rates.
5. Explain the various translation methods.
6. Distinguish Centralised and Decentralised cash management.
7. Write a note on FEMA.

SECTION – B

Answer any FOUR questions. **(4x10=40)**

8. Elaborate the evolution of the International Monetary system.
9. Discuss the marketing and production initiatives to manage economic exposure.
10. Evaluate the Interest Rate Parity theory.
11. Explain the objectives and special issues in working capital management.
12. a) From the following information, identify and show the possibility of arbitrage and quantum of gain, when the currency borrowed is 1,00,000 units.

    Spot exchange rate: ₹102.66/£

    6 month forward rate: ₹104.20/£

    Interest rate in India: 12% p.a.

    Interest rate in London : 5% p.a.

    b) Given ₹69.70/€ and ₹64.92/$. What is the $/€ cross rate.
13. a) From the following information, calculate the possibilities of triangular arbitrage profit.

    CAD = USD 0.90

    NZD = USD 0.30

    CAD = NZD 3.02

Contd...2

b) Determine the outright rates and spread for the following information.

	Spot	1 month	3 months	6 months
INR/GBP	80.5892/96	20/30	25/35	40/35
INR/KWD	213.2659/72	225/240	210/203	165/182

SECTION – C

Answer the following question. (Compulsory) **(1x10=10)**

14. You are required to find out the overall Balance of Payment clearly indicating all the sub-balances from the following data:

i. A German company invests ₹3,00,000 in India to modernize its Indian subsidiary.

ii. An Indian firm exports ₹80,000 worth of goods.

iii. An Indian resident visits U.K and spends ₹1,00,000 on hotel, meals and so on.

iv. An Indian resident purchases foreign stock for ₹50,000.

v. A foreign investor purchases ₹70,000 worth of Indian treasury bills.

vi. The Indian government gives an aid of ₹1,00,000 to a developing nation as part of an aid programme.

vii. An Indian company invests ₹4,00,000 in Nepal.

viii. A Swiss citizen comes on a vacation to India. He spends ₹20,000 before he returns to Switzerland.

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

August / September 2021

CORPORATE LAW, ETHICS AND GOVERNANCE

Time: 3 hrs. **Max Marks: 70**

SECTION - A

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

1. Discuss Doctrine of Indoor management.
2. Who are sub-brokers?
3. Describe the concept of eco-friendly business practices.
4. What do you mean by corporate scandals?
5. List out the benefits of corporate social responsibility.
6. Who are whistle blowers?
7. What is corporate philanthropy?

SECTION – B

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

8. Enumerate the legal compliances and stages in the formation of Joint stock company.
9. Discuss the power and functions of stock Exchange Board of India.
10. What do you mean by environment ethics? Discuss any one environment issue from the viewpoint of environment ethics.
11. Discuss the consequences of ethical dilemma and brief out the measures to mitigate unethical practices.
12. Explain the need for CSR in India and discuss the various Models of CSR.
13. Critically evaluate the initiatives for corporate governance reforms in India.

Contd...2

SECTION – C (Compulsory) (1x10=10)

14. Suppose you are an officer in charge of implementing a social service scheme to provide support to old and destitute women. An old and illiterate woman comes to you to avail the benefits of the scheme. However, she has no documents to show that she fulfills the eligibility criteria. But after meeting her you feel that she certainly needs support. Your enquiries also, show that she is really destitute and living in a pitiable condition. You are in a dilemma as what to do. Putting her under the scheme without necessary document would clearly be violation of roles. But denying her the support would be cruel and in human.

    a) Can you think of a rational way to resolve this dilemma?

    b) Give your reasons for it.

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

August / September - 2021

COST AND MANAGEMENT ACCOUNTING

Time: 3 hrs. **Max Marks: 70**

SECTION - A

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

1. "Management accounting provides immense help to the managerial personnel to take various decisions" Elucidate.
2. Explain cost-volume-profit analysis. What are its assumptions?
3. How does the balanced score card help in improving performance of a company.
4. Explain the factors influencing pricing decisions of the company.
5. Standard price ₹ 4 per kg

   Actual price ₹ 6 per kg

   Standard quantity 700 kg. Actual quantity 650 kg. Calculate Material Cost Variance, Material Price Variance & Material Usage Variance.
6. Distinguish between Activity Based costing and conventional costing system.
7. From the following find out
   a) P/V ratio
   b) BEP
   c) Net profit if sales are ₹ 2,50,000
   d) Margin of safety at a sale of ₹ 2,50,000

   Position of A Ltd. for the year 31-03-2015
   Sales ₹2,00,000; variable cost ₹1,60,000 and fixed cost ₹20,000

SECTION – B

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

8. The standard cost of a certain chemical mixture is:

   40% material A at ₹200 per tonne

   60% material B at ₹300 per tonne

   A standard loss of 10% is expected in production. During a period materials used are:

   90 tonnes material A at the cost of ₹180 per tonne

   110 tonnes material B at the cost of ₹340 per tonne

   The weight produced is 182 tonnes of good production

   Calculate and present:

   i) Material Price Variance
   ii) Material Usage Variance
   iii) Material Cost Variance

Contd...2

9. What are the objectives of transfer pricing? What are the requisites of a sound transfer pricing system?

10. Product "Z" is obtained after it passes through three distinct processes. Following information is obtained from the accounts for the month ending March 31, 2016.

Items	Total (₹)	I (₹)	II (₹)	III (₹)
Direct Material	7,542	2,600	1,980	2,962
Direct wages	9,000	2,000	3,000	4,000
Production overheads	9,000	-	-	-

1,000 units at ₹3 each were introduced to process I. There was no stock of material or work-in-progress at the beginning or end of the period. The output of each process passes direct to the next process and finally to finished stores. Production overhead is recovered on 100% of direct wages.

% of normal loss to input	5%	10%	15%
Output (in units) during the month	950	840	750
Value of scrap per unit (₹)	2	4	5

Prepare process cost accounts and other related accounts.

11. The standard labour component and the actual labour component engaged in a week for a job are as under:

		Skilled workers	Semi-skilled workers	Unskilled workers
A)	Standard number of workers in the gang	32	12	6
B)	Standard wage rate per hour (₹)	30	20	10
C)	Actual number of workers employed in the gang during the week	28	18	4
D)	Actual wage rate per hour (₹)	40	30	20

During the 40 hours working week, the gang produced 1,800 standard labour hours of work.

Calculate:

i) Labour Efficiency Variance

ii) Labour Mix Variance

iii) Rate of Wages Variance

iv) Total Labour Cost Variance

12. Critically analyse various strategic management techniques used for managerial decision making and its impact in corporate sector.

Contd...3

13. XYZ Ltd manufactures four products A, B, C and D using the same plant and process. Following information relates to a production period.

Product	A	B	C	D
Output in units	720	600	480	504
Cost per unit:	₹	₹	₹	₹
Direct Material	42	45	40	48
Direct Labour	10	9	7	8
Machine hours per unit	4 hrs	3 hrs	2 hrs	1 hr

Four products are similar and are usually produced in production runs of 24 units and sold in batches of12 units. Using machine hour rate currently absorbs the production overheads. The total overheads incurred by the company for the period are as follows:

	₹
Machine operation and maintenance cost	63,000
Setup costs	20,000
Store receiving	15,000
Inspection	10,000
Material handling and dispatch	2,592
Total overheads	1,10,592

During the period the following cost drivers are to be used for the overhead cost:

Cost	Cost driver
Setup cost	No of production runs
Store receiving	Requisition raised
Inspection	No of production runs
Material handling and dispatch	Orders executed

It is also determined that:

- Machine operation and maintenance cost should be apportioned between setup cost, store receiving and inspection activity in 4:3:2
- Number of requisitions raised on store is 50 for each product and the no. of orders executed is 192, each order being for a batch of 12 of a product.

Required:

a) Calculate the total cost of each product, if all overhead costs are absorbed on machine hour rate basis.

b) Calculate the total cost of each product using activity based costing.

c) Comment briefly on differences disclosed between overhead traced by present system and those traced by activity based costing.

Contd...4

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

14. A product is completed in 3 consecutive process. During a particular month, the input process I of the basic raw material was 5,000 units at ₹2 per unit. Other information for the month was as follows-

Particulars	Process I	Process II	Process III
Output (units)	4700	4300	4050
Normal loss as % of input	5	10	5
Scrap value per unit (₹)	1	5	6
Direct expenses (₹)	9750	9910	15,560

Total overhead: ₹ 32,000 chargeable as percentage of Direct wages.

There were no opening or closing work in progress.

Compile 3 process accounts and finished stock account with details of abnormal loss and gain, wherever applicable.

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

August / September 2021

DERIVATIVES AND RISK MANAGEMENT

Time: 3 hrs. **Max Marks: 70**

SECTION - A

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

1. What are the common types of derivatives?
2. Give an account of derivatives market in India.
3. State the risk management process.
4. Distinguish between forwards and futures.
5. What are the factors affecting call option and put option pricing?
6. Write a note on Binomial Option Pricing model.
7. Calculate the price of forward contract using the following data:-

   Price of the share = ₹ 75

   Time to expiration= 9 months

   Dividend expected = ₹ 2.20 per share

   Time to dividend = 4 months

   Continuously compounded risk free rate of return= 12% per annum.

SECTION – B

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

8. Describe the major functions and criticisms of Derivatives markets.
9. Discuss the different ways of classifying and managing the risk.
10. Using Black-Scholes obtain the price of call option from the following data:

    Current price of the share = ₹ 120

    Exercise price of the option = ₹ 115

    Time period to expiration = 3 months

    Standard deviation of the distribution of continuously

    Compounded rates of return = 0.6

    Continuously compounded risk free interest rate = 0.10

11. a) Indian Silver produces silver jewellery and sells all over India. On January 1, Indian silver estimates that it will need 300 kg of silver on April 20 and is concerned that the silver prices may increase in the meantime.

    On January 1, the spot market price of silver is ₹ 27,175 per kg. In order to eliminate the risk of possible price increases, Indian silver wants to hedge its position using futures. Silver futures are available in the NCDEX, with expiry on April 20 and contract size of 30kg. The April futures are selling at ₹28,450. Show that Indian Silver can fix the buying price of silver by entering into a futures contract. **(6 Marks)**

Contd...2

11. b) On November 20, the spot price of jute is ₹ 2,198 per 100 kg and the price of December jute futures with expiry on December 15 is ₹ 2,276. The standard deviation of the spot price change is estimated as ₹ 260, and standard deviation of the futures price change is estimated as ₹ 248. The correlation coefficient between the spot price change and future price change is estimated to be 0.99. What is the hedge ratio and the hedging effectiveness? **(4 Marks)**

12. Infosys stock is selling at ₹ 1,130 on September 1st. There exists a put option on Infosys with expiry on October 29 and exercise price of ₹ 1,150. It is estimated that by October 29, the Infosys price could either increase by 6 percent or decrease by 3 percent. If the risk free rate is 6 percent, calculate the price of the call by using the Binomial option pricing model.

13. Company P and Company Q have equal requirements of funds of ₹ 50 crore. They have been offered following rates is the fixed market and in the floating market for debt.

Company	Fixed rate	Floating rate
P	10%	MIBOR+50bps
Q	12%	MIBOR+150bps

Company P wants funds at floating rate while Company Q is happy to raise funds at fixed rate basis. A bank is willing to act as an intermediary with 20bps as its remuneration. Assume that the companies will share the gain equally. Find out the cost of swap agreement for Company P and Q.

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

14. Mukund, a cashew merchant, wants to buy five cashew contracts on March 5 at ₹ 5,600 each. The initial margin for Mukund is 5.5% of the contract value. The futures price for each carton and the contract size is 50 cartons. Mukund closes out his position on March 16. The futures price from March 6 to March 16 are shown below. The variation margin is ₹ 50,000. Prepare margin account for Mukund. March 5 is Monday, and trading takes place only on weekdays.

Date	Future's price
5th March	₹ 5,600
6th March	₹ 5,650
7th March	₹ 5,675
8th March	₹ 5,610
9th March	₹ 5,570
12h March	₹ 5,520
13h March	₹ 5,400
14h March	₹ 5,480
15h March	₹ 5,570
16h March	₹ 5,650

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

August / September 2021

PORTFOLIO THEORY AND MANAGEMENT

Time: 3 hrs. **Max Marks: 70**

SECTION – A (5x4=20)

Answer any FIVE questions.

1. Explain the concept of efficient frontier in the context of portfolio selection.
2. Stocks L and M have yielded the following returns for the past two years.

Years	Return %	
	L	M
1995	12	14
1996	18	12

   a) What is the expected return on portfolio made up of 60% of L and 40% of M?
   b) Find out the standard deviation of each stock.
   c) What is the co-variance and co-efficient of correlation between stock L and M?
   d) What is the portfolio risk of a portfolio made up of 60% of L and 40% of M?
3. The return on a mutual fund portfolio during the last few years was 18%, when the return on the market portfolio was 15%. The standard deviation of the portfolio return was 28% whereas the standard deviation of the market portfolio return was 20%. The portfolio beta was 1.2. The risk free rate was 9%. Apply Fama's measure of net selectivity to evaluate the performance of mutual fund portfolio.
4. Briefly explain the objectives of personal financial planning.
5. Investment and speculation are somewhat different and yet similar in certain respect. Explain.
6. Explain the significance of covariance in the estimation of the risk of a portfolio.
7. What do you mean by CAPM? Distinguish between capital market line and security market line.

SECTION – B (4x10=40)

Answer any FOUR questions.

8. Describe the procedure developed by Markowitz for choosing the optimal portfolio of risky assets.

Contd...2

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

10. The estimated rates of return, Beta coefficients & standard deviations of some securities are given below:

Security	Estimated Return (%)	β	Standard Deviation (%)
A	35	1.60	50
B	28	1.40	40
C	21	1.10	30
D	18	0.90	25
E	15	0.75	20
F	12	0.60	18

The risk free rate of return is 8%. The market return is expected to be 20%. Determine which of the above securities are overpriced and which are underpriced.

11. Monthly return data (in percent) are presented below for ITC stock and BSE National Index for a 12 month period.

Month	ITC	BSE National Index
1	9.43	7.41
2	0.00	-5.33
3	-4.31	-7.35
4	-18.92	-14.64
5	-6.67	1.58
6	26.57	15.19
7	20.00	5.11
8	2.93	0.76
9	5.25	-0.97
10	21.45	10.44
11	23.13	17.47
12	32.83	20.15

Calculate Beta of ITC stock using the regression method.

12. XYZ and ABC are the two mutual funds. XYZ has a mean return of 0.13 and fund ABC has a mean return of 0.18, with the riskier fund ABC having double the beta at 2.0 as fund XYZ. The respective standard deviations are 15% of ABC and 19% of XYZ. The mean return for the market index is 0.12, while the risk-free rate is 8%.

a) Compute the Jensen index for each of the funds. What does it indicate?

b) Compute the Treynor index for the funds. Interpret the results and compare it to the Jensen index.

c) Compute the Sharpe index for the funds and the market.

Contd...3

13. Consider a portfolio of four securities with the following characteristics:

Security	Weightage	α_i	β_i	Residual Variance σ_{ei}^2
1	0.2	2.0	1.2	320
2	0.3	1.7	0.8	450
3	0.1	-0.8	1.6	270
4	0.4	1.2	1.3	180

Calculate the return and risk of a portfolio under single index model if the return on market index is 16.4% and the standard deviation of return on market index is 14%.

SECTION – C

Answer the following question. (Compulsory) **(1x10=10)**

14. 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?

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