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**St Aloysius College (Autonomous)  
Mangaluru**

**Semester III- P.G. Examination - M.Com.(Finance and Analytics)**

**February - 2022**

**EQUITY RESEARCH AND SECURITY MARKET OPERATION**

**Time: 3 hrs.**

**Max Marks: 70**

**SECTION - A**

**Answer any FIVE questions.**

**(5x4=20)**

1. State the major elements of Equity Research.
2. Identify objectives of investment.
3. What are econometric models?
4. Outline the key assumptions of technical analysis. Distinguish between technical analysis and fundamental analysis.
5. Compare and contrast primary market and secondary market.
6. Explain the trading and settlement procedure in Bombay Stock Exchange at present.
7. List the key criteria of scrip selection for inclusion in BSE Sensex 30.

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**SECTION - B**

**Answer any FOUR questions.**

**(4x10=40)**

8. Discuss the important investment avenues that are available in India.
9. Explain the scope and purpose of fundamental analysis.
10. Describe the various characteristics that an analyst must consider while performing industry analysis.
11. Demonstrate the important charting techniques commonly used in technical analysis.
12. Discuss the role of SEBI in regulating Indian Capital market.
13. Closing values of NSE-NIFTY 50 from 6<sup>th</sup> to 17<sup>th</sup> of a month of a year were as follows:

DAY	DATE	NIFTY 50
1	6	17,522
2	7	17,925
3	8	No trading
4	9	No trading
5	10	18,222
6	11	19,000
7	12	19,400
8	13	20,000
9	14	No trading
10	15	No trading
11	16	No trading
12	17	21,000

Compute Exponential moving average (EMA) of NIFTY 50 during the above period. The 30 days sample moving average of NIFTY 50 can be assumed as 18,000. The value of exponent for 30 days (EMA) is 0.062.

**SECTION - C**

**14. Compulsory**

**(10)**

You are appointed as an equity researcher in a large financial services company. You are aware that to carry out equity research, certain data about the economy, industry, companies and market trend become the base for arriving at the conclusion. More precisely you must focus not only on present condition but also on future prospects of economy, industry and company.

- a) As an equity researcher identify secondary data sources that you would use.
- b) Discuss the factors that you would focus while performing company analysis.
- c) Identify the future prospects for equity research in India.

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**Semester III- P.G. Examination – M.Com.(Finance and Analytics)**

February – 2022

**MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING**

Time: 3 hrs.

Max Marks: 70

**SECTION – A**

Answer any **FIVE** questions.

(5x4=20)

1. Write a note on Post Acquisition Integration model.
2. Explain different types of takes over tactics.
3. Describe management buyout.
4. Explain Fredrick Trautwein's Merger motives theory.
5. ST Ltd. is considering acquiring MN Ltd on share exchange basis. Information relating to the 2 companies as follows

	St Ltd	MN Ltd
No. of Shares	1,20,000	80,000
Earnings after Tax	6,00,000	1,20,000
Earnings per share	₹ 6	₹ 4
Price earning Ratio	13	7

You are required to calculate pre- merger market value per share.

6. Explain various reasons for merger and acquisitions.
7. Write a note on Synergy value drivers.

**SECTION – B**

Answer any **FOUR** questions.

(4x10=40)

8. Explain reasons for failure of Mergers & Acquisition.
9. Critically evaluate different methods of Restructuring.
10. A Ltd wants to take over B Ltd and the financial details of both the Companies are as follows.

Equity share capital ₹ 10 each	2,00,000	1,00,000
Preferential Share capital	40,000	
Share Premium		40,000
Profit and Loss A/c	76,000	8,000
10% Debentures	30,000	10,000
<b>Total Liabilities</b>	<b>346,000</b>	<b>122,000</b>
Fixed Asset	2,44,000	70,000
Current asset	1,02,000	52,000
<b>Total Assets</b>	<b>346,000</b>	<b>1,22,000</b>
Profit after tax and preference share dividend	48,000	30,000
Market price per share	24	27



You are required to determine the share exchange ratio to be offered to the shareholders of B Ltd based on

- Net asset value
- EPS
- Market price
- Which should be preferred from the point of view of A Ltd.

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11. East Co. Ltd is studying the possible acquisition of Fost Co. Ltd by way of merger. The following data are available in respect of the company:

	East Co. L td	Fost Co. Ltd
Earnings after tax	200,000	60,000
Number of equity shares	40,000	10,000
Market value per share	15	12

- If the merger goes through by exchange of equity shares and the exchange ratio based on the current market price, what is the new earnings per share of East Co. Ltd
  - Fost Co. Ltd wants to make sure that the earnings available to its shareholders will not be diminished. What should be the exchange ratio in that case.
12. Explain IFRS and AS-14 provisions related to merger.
13. Explain the human and cultural aspects involved in mergers & Acquisitions.

### SECTION – C

#### 14. Compulsory

(10)

1. Company X is considering the purchase of Company Y. Following are the financial data of the 2 Companies

	Company X	Company Y
No. of Shares	4,00,000	1,00,000
Earnings per share	₹ 6	₹ 4.50
Market Value per share	₹ 30	₹ 20

Assuming that the management of the 2 companies have agreed to exchange shares in proportion to

- The relative earnings per share of the 2 companies
- 4 shares of company X for every 5 shares held in company Y
- You are required to illustrate and comment on the impact of merger on the EPS.

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**Semester III- P.G. Examination – M.Com.(Finance and Analytics)**

February - 2022

**INVESTMENT BANKING AND FINANCIAL SERVICES**

Time: 3 hrs.

Max Marks: 70

**SECTION – A**

Answer any **FIVE** questions.

(5x4=20)

1. Explain the functions of Credit Rating Agencies in India.
2. Explain different types of lease.
3. Explain the role of LIC.
4. "The scope for merchant banking is great in India." Comment.
5. What is under writing? Explain its different forms.
6. Write a note on IDBI.
7. State the benefits of forfeiting.

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**SECTION – B**

Answer any **FOUR** questions.

(4x10=40)

8. Explain credit rating process in India
9. What is lease? Explain its advantages and limitations.
10. Explain the role of new generation banks for the economic development of the country.
11. Describe the functions of merchant banker in issue management.
12. What is IPO? Explain its pricing procedure.
13. Explain the regulatory framework of underwriting.

**SECTION – C**

14. **Compulsory**

(10)

Akash 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 ₹ 40,00,000. It is expected to have a useful life of 10 years with salvage value of ₹ 4,00,000 after the expiry of 10 years. The purchase can be financed by 20 per cent loan repayable in 10 equal annual installments (inclusive of interest) becoming due at the end of each year. Alternatively, the machine can be taken on year-end lease rentals of ₹ 8,00,000 for 10 years. Advise the company, which option it should choose. For your exercise, you may assume the following:

- a) 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 per cent.
- b) Tax rate is 35 per cent and cost of capital is 20 per cent.
- c) Lease rents are to be paid at the end of the year.

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## St. Aloysius College (Autonomous)

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Semester III – P.G. Examination - M.Com.(Finance and Analytics)

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### CORPORATE TAX PLANNING

Time: 3 hrs

Max Marks: 70

#### SECTION - A

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Answer any **FIVE** of the following.

1. Explain the provision of International transaction under Section 92 of the Income tax Act, 1961.
2. Define company u/s 2 (17) of the Income Tax Act of 1961.
3. Briefly explain the provisions of avoidance of Double Taxation agreements under Income tax Act, 1961.
4. Explain rules regarding set-off and carry forward of losses with order of set-off in Income tax Act, 1961.
5. Write a note on 'Tax deduction' and 'Collection Account number'.
6. What are the provisions of law regarding deduction of tax at source from the following incomes:
  - a) Winnings from Lottery
  - b) Interest on Securities
7. Suppose a tonnage tax company operates only one qualifying ship throughout the P.Y 2020-21. The ship has a net tonnage of 25,000 tons and the corporation tax rate for the year is 31.2%. Calculate Tonnage Tax Liability.

#### SECTION - B

Answer any **FOUR** of the following.

(4×10=40)

8. Explain the provisions of Minimum Alternate Tax [MAT] under Section 115JB of Income tax Act, 1961. Is a foreign company also liable to pay MAT?
9. A company requires 20,000 units of a component every year for next 5 years. The component can either be manufactured by the company in its factory or be purchased from the market. From the following information suggest, the company whether it should make the component or buy it from the market to gain some tax advantage from this make or buy decision:
  - i) Material cost per unit ₹ 20
  - ii) Labour cost per unit ₹ 30
  - iii) Variable overhead cost per unit ₹ 10
  - iv) If the company manufactures the part, it has to purchase the machine by taking a loan from the bank. The present value of net cash outflow in this regard in 5 years will be ₹ 10,00,000.

The component is available in one of the markets at ₹ 75 and at ₹ 80 in the other one.

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10. Explain the different methods that help in determining the arms length price.
11. Shilpa, an individual and citizen of India received remuneration from a foreign client in the previous year 2020-21. There is no DTAA with the country. The remuneration was ₹ 60,00,000 and ₹ 12,00,000 was the tax imposed by that country. Income from other sources of Shilpa in India is ₹ 9,50,000. She has deposited ₹ 1,00,000 in Public Provident Fund in the previous year 2020-21. Compute the tax relief available in India, if she brings ₹ 48,00,000 to India in convertible foreign exchange.
12. What do you mean by Infrastructural projects? What are the major tax considerations and incentives available for Infrastructural projects?
13. X Ltd., a domestic company is planning to acquire a machinery costing ₹ 60,00,000 and has effective useful life of five years because the products produced by this machinery will become obsolete after five years and this machinery has no alternative use. X Ltd. is considering two options to acquire this machinery for next five years as follows: -
- Option 1:** Company will pay ₹ 10,00,000 in cash and borrow remaining amount @ 12% per annum from a bank. This amount of loan payable in five equal annual instalments is payable at the end of each year along with interest amount.
- Option 2:** Company will take this machinery on lease by paying lease rentals of ₹ 24,00,000 each year, payable at the beginning of the each year. Applicable rate of tax is 30.9%, rate of depreciation allowed is 15% [WDV]. Assuming internal rate of return 10% for present value factor. What would your advice be for X Ltd?

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

14. The following is the Profit and loss A/c of Bharath Co. Ltd. for the year ended 31<sup>st</sup> March, 2020.

Particulars	₹	Particulars	₹
To Salaries, wages	3,00,000	By Domestic sales	25,00,000
To Rent and rates	2,00,000	By Export sales	10,00,000
To Repairs	1,20,000	By Transfer from General Reserve	2,00,000
To Selling expenses	3,50,000		
To Depreciation	5,00,000		
To Income tax	3,60,000		
To Proposed dividend	2,70,000		
To Net Profit	16,00,000		
	<b>37,00,000</b>		<b>37,00,000</b>

Other Information:

- a) The company has long-term Capital gain of ₹ 1,00,000 which is not credited to Profit and Loss Account.
- b) Depreciation u/s 32 ₹ 4,50,000.
- c) The Company wants to set-off the following:

	For tax purpose [₹]	For Accounting purpose [₹]
Brought Forward Loss of 2019-20		4,00,000
Unabsorbed depreciation	5,00,000	2,00,000
	2,00,000	

You are required to compute:

- a) Book Profit as per Section 115JB.
- b) Total Income of the company.
- c) Tax liability of the company.

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**INSURANCE AND RISK MANAGEMENT**

**Time: 3 hrs.**

**Max Marks: 70**

**SECTION – A**

**Answer any FIVE questions.**

**(5x4=20)**

1. Describe the benefits of risk management.
2. State the important insurance company operations.
3. State the reasons for insurance regulations.
4. Differentiate between pure risk and speculative risk.
5. Compare insurance with hedging.
6. Explain the basic underwriting principles.
7. Sum Assured is ₹ 1,00,000; Policy Type: Endowment policy with profits; Mode of premium payment is half yearly; Adjustment factor for large SI and half yearly mode is ₹ 1.5 per thousand; Tabular premium rate is ₹ 36.70 per thousand; Accident Extra 1%; Health Extra 0.5%. Compute the life insurance premium.

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**SECTION – B**

**Answer any FOUR questions.**

**(4x10=40)**

8. Describe the types of claims adjustors and the steps involved in settlement of a claim.
9. Certain requirements ideally should be fulfilled before a pure risk can be privately insured. Explain the six requirements of an insurable risk.
10. Discuss the methods of handling risk with examples.
11. Explain the steps in the risk management process.
12. Explain the duties of a broker.
13. Discuss the different types of insurance.

**SECTION – C**

**14. Compulsory**

**(10)**

For last calendar year, a property insurer reported the following financial information for a specific line of insurance:

Premiums written – ₹ 2,50,00,000

Expenses incurred – ₹ 50,00,000

Incurred losses and loss adjustment expenses – ₹ 1,40,00,000

Earned premiums – ₹ 2,00,00,000

- a) What was the insurer's loss ratio for this line of coverage?
- b) Calculate the expense ratio for this line of coverage.
- c) What was the combined ratio for this line of coverage?

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