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St Aloysius College (Autonomous)
Mangaluru
Semester III- P.G. Examination - M.Com. (Finance and Analytics)
JANUARY-2021
EQUITY RESEARCH AND SECURITY MARKET OPERATION

Time: 3 hrs.

Max Marks: 70

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

1. What are the key steps involved in portfolio management process?
2. What do you understand by Equity Research? State its elements.
3. What is Technical analysis? State its basic premises.
4. Give an overview of Dow Theory.
5. Write a note on Z-score Analysis.
6. Identify the qualitative characteristics in company analysis.
7. Consider the data for a sample of 4 shares for two years, the base and year 't':

Share	Price in base year (M)	Price in year 't' (M)	Number of outstanding shares (in millions)
A	40	30	3
B	60	75	12
C	20	40	6
D	75	90	5

Compute the price weighted index and value weighted index from the above data for year 't'.

SECTION - B

Answer any FOUR questions. (4x10=40)

8. Briefly explain the various investment alternatives along with their risk-return profile.
9. Describe the key macro economic variables and their impact on Equity market.
10. Explain the forces that drive competition and influence the profit potential for industry.
11. Describe the Industry Life Cycle. What are the implications of Industry Life Cycle for the investor?
12. Discuss the role of SEBI as a market regulator.
13. What are the recent changes in Indian stock market and its operation?

SECTION - C

14. **Compulsory** (10)
 Assume the following daily closing for the Dow Jones Industrial Average (DJIA).

Day	DJIA	Day	(DJIA)
1	13,010	7	13,220
2	13,100	8	13,130
3	13,165	9	13,250
4	13,080	10	13,315
5	13,070	11	13,240
6	13,150	12	13,310

- a) Calculate a four-day moving average for days 4 through 12.
- b) Assume the index closes at 13,300 on Day 13. Would this signal a buy or sell decision?

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Semester III- P.G. Examination – M.Com.(Finance and Analytics)
JANUARY-2021
MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING

Time: 3 hrs.

Max Marks: 70

SECTION – AAnswer any **FIVE** questions.

(5x4=20)

1. Explain five stage model of merger?
2. What do you mean by cost benefit analysis?
3. Write a note on takeover tactics.
4. What is the need of due diligence?
5. Outline the different modes of corporate restructuring?
6. Explain the takeover strategies?
7. List the reasons for failure of Mergers and Acquisitions.

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SECTION – BAnswer any **FOUR** questions.

(4x10=40)

8. XYZ Ltd. is considering merger with ABC Ltd. XYZ Ltd.'s shares are currently traded at ₹ 20. It has 2,50,000 shares outstanding and its earnings after taxes (EAT) amount to ₹ 5,00,000. ABC Ltd., has 1,25,000 shares outstanding; its current market price is ₹ 10 and it's EAT are ₹ 1,25,000. The merger will be effected by means of a stock swap (exchange). ABC Ltd. has agreed to a plan under which XYZ Ltd. will offer the current market value of ABC Ltd.'s shares:
 What are the pre-merger earnings per share (EPS) and P/E ratios of both the companies?
9. The following information is provided relating to the acquiring company Efficient Ltd. and the target Company Healthy Ltd.

	Efficient Ltd.	Healthy Ltd.
No. of shares (Face value ₹ 10 each)	10.00 lakhs	7.5 lakhs
Market capitalization (₹)	500.00 lakhs	750.00 lakhs
P/E ratio (times)	10.00	5.00
Reserves and Surplus (₹)	300.00 lakhs	165.00 lakhs
Promoter's Holding (No. of shares)	4.75 lakhs	5.00 lakhs

Board of Directors of both the Companies have decided to give a fair deal to the shareholders and accordingly for swap ratio the weights are decided as 40%, 25% and 35% respectively for Earning, Book Value and Market Price of share of each company:

Calculate the swap ratio and also calculate Promoter's holding % after acquisition.

10. What is Divestiture? Discuss different forms of Divestiture.

11. Explain synergy in the context of Mergers and Acquisitions.
12. Explain the relevance of motivation theory and monopoly theory to Merges and Acquisitions.
13. Write a short note on Horizontal and vertical mergers.

SECTION - C

14. Compulsory

(10)

A Ltd. is studying the possible acquisition of B Ltd. by way of merger. The following data are available:

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Firm	After-Tax Earning	No. of Equity Shares	Market Price per share (₹)
A	10,00,000	2,00,000	75
B	3,00,000	50,000	60

1. If the merger goes through by exchange of equity shares and the exchange ratio is set according to the current market prices, what is the new earnings per share for A Ltd.
2. B Ltd. wants to be sure that its earnings per share is not diminished by the merger. What exchange ratio is relevant to achieve the objective?

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St Aloysius College (Autonomous)
Mangaluru
Semester III- P.G. Examination - M.Com.(Finance and Analytics)
JANUARY-2021
INVESTMENT BANKING AND FINANCIAL SERVICES

Time: 3 hrs.

Max Marks: 70

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

1. What are the characteristics of investment banking in India?
2. Write a note on merchant banking.
3. What are the forms of underwriting?
4. Write 4 functions of EXIM bank.
5. How do you differentiate investment banking and merchant banking?
6. What are the objectives of depository services?
7. Mention the benefits of forfeiting.

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

8. What is the need and importance of underwriting?
9. Draw a structure of Indian Investment Banking Industry.
10. Mention role and importance of credit rating in India.
11. Write a note on role of Non-Banking Financial Corporations in India.
12. What are the advantages and disadvantages of leasing?
13. Name depository institutions and their functions.

SECTION - C**14. Compulsory****(10)**

Aqua Ltd is planning to install computers in their office premises. Decide whether the computer is to be purchased outright through 14% borrowing or to be acquired on lease rental basis. The company is in 50% tax bracket. The following data is available.

Leasing the computer.

Lease charges to be paid in advance ₹ 4,50,000. Maintenance expenses to be borne by lessor.

Purchase of computer.

Purchase price - ₹ 20,00,000

Annual maintenance to be paid in advance ₹ 50,000

Expected economic useful life - 6 years

Depreciation (for tax purposes) - straight line method

Salvage value - ₹ 2,00,000

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St. Aloysius College (Autonomous)
Mangaluru
Semester III – P.G. Examination - M.Com. (Finance and Analytics)
January – 2021

CORPORATE TAX PLANNING

Time: 3 hrs

Max Marks: 70

SECTION - A

Answer any **FIVE** of the following.

(5×4=20)

1. Differentiate between Tax planning and Tax management.
2. From the following information compute depreciation allowance allowable to XY and Co., a Chartered Accountants Concern, for the AY 2019-20.

Assets	W.D.V on 1.4.2018 ₹
a) Computers	1,40,000
b) Typewriters	30,000
c) Furniture and fittings	1,00,000
d) Office building	5,00,000
e) Staff quarters - Area not exceeding 80 sq. meter	15,00,000
f) Purchased a new computer during the P.Y	60,000
g) Sold old office building for ₹ 15,00,000 and purchased a new office building for ₹ 40,00,000 in Dec. 2018.	
h) Purchased books [Annual publications] for professional purposes	40,000

3. What are the methods under which the arm's length price relating to an international transaction is determined u/s 92C? Explain any one method in detail.
4. Calculate the taxable income of the Company from the following information for the Assessment year 2019-20.
 - a) Book profit ₹ 25 lakh for the year 2018-19.
 - b) Brought forward loss ₹ 3.75 lakh.
 - c) Speculative business loss for the same year ₹ 5.5 lakh.
 - d) Capital loss ₹ 2 lakh.
5. What do you mean by tax Deduction at source and tax Collection at source?
6. Define Indian company as per sec 2(26).
7. Explain in the context of provisions of the Act: The underlying idea behind DTAA.

SECTION - B

Answer any **FOUR** of the following.

(4×10=40)

8. Discuss the tax concessions available to the corporate sector in respect of setting up a new business in Special Economic Zone (u/s 10AA) of the Income tax Act.
9. Mr. Ramesh, a resident Indian, has derived the following incomes for the previous year relevant to the Assessment year 2019-20.

Income from Business in India	₹ 4,00,000
Income from Business in Country A [Tax paid in Country A for this Income in equivalent Indian Rupees ₹ 20,000]	₹ 90,000
Income from Business in Country B [Tax paid in Country B at 20%] converted in Indian Rupees	₹ 50,000

Ramesh wishes to know whether he is eligible to any double taxation relief, and if so, its quantum. India does not have any Double Taxation Avoidance Agreement with Countries A and B.

Contd...2

10. A company requires 2,00,000 units of a components every year for next 5 years. The components 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 to gain some tax advantage from this make or buy decision:
- Material cost per unit ₹ 20.
 - Labour cost per unit ₹ 30.
 - Variable overhead cost per unit ₹ 10.
 - 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 ₹ 1,00,000.
11. Explain the provision of Section 91 of Income tax Act, 1961 relating to avoidance of double taxation of foreign income of a resident.
12. X Ltd., an Indian company, engaged in the business of manufacture of transformers and switchgears, negotiates for the purchase or taking on hire a machine from a concern in UK. If it acquires the machine, then the total cost will be ₹ 60,00,000 payable in 5 installments [Interest free] installments of ₹ 12,00,000 each, payable at the beginning of the year. If X Ltd. takes the machine on hire, it has to pay an annual rent of ₹ 8,00,000 per annum payable at the beginning of the year. Company proposes to use the machine for 10 years. Which option should company choose and why? The following assumptions have been made:
- The company is widely held company and tax rate is 33.99%.
 - Rate of depreciation on machinery is 15% [WDV]. No additional depreciation applicable.
 - Cost of capital is assumed as 10% for present value factors.
13. Discuss the adjustments to be made in the net profit of the P&L A/c for computing 'Book Profit' under the provision of MAT [u/s 115JB].

SECTION - C (Compulsory)**(1×10=10)**

14. From the information given below compute the tax payable by Sri Lakshmi Narayan and Co., keeping in view the provisions of MAT u/s 115JB for the Assessment Year 2019-20:

Particulars	₹	Particulars	₹
Expenses related to sales	20,00,000	Sales	28,00,000
Security transaction tax	6,000	LTCG [Exempt u/s 10(38)]	3,00,000
paid relating to LTCG	1,70,000	Interest on Govt. Securities	30,000
Depreciation	2,60,000		
Proposed dividend	1,20,000		
Income tax	5,74,000		
Net Profit	31,30,000		31,30,000

Other Information:

- The depreciation allowable under the Income tax Act is ₹ 1,00,000.
- Brought forward loss as per books of A/c ₹ 2,50,000.
- Brought forward depreciation as per books of A/c ₹ 60,000.
- Brought forward unabsorbed depreciation ₹ 1,10,000.
