

St. Aloysius College (Autonomous)
Mangaluru
Semester III – PG Examination - M.Com
December-2022

EQUITY RESEARCH AND SECURITY MARKET OPERATION

Time: 3 hrs

Max Marks: 70

SECTION – A

Answer any **FIVE** questions out of seven questions. (5×4=20)

1. "Investment is a well grounded and carefully planned speculation". Comment.
2. What is equity research?
3. Explain the concepts of demand and supply side shocks.
4. Analyse the significance of industry life cycle in industry analysis.
5. Write a note on Z Score analysis.
6. Explain the concept of Odd Lot Theory and Shot Selling Theory.
7. State the scrip selection criteria of Sensex.

SECTION – B

Answer any **FOUR** questions out of six questions. (4×10=40)

8. Discuss the value investing and growth investing strategies.
9. "Fundamental analysis provides an analytical framework for rational investment decision making". Elucidate.
10. Explain the techniques of short term economic forecasting.
11. What is company analysis? Explain how the financial ratios are used to determine the strengths and weakness of a company.
12. Explain the basic principles and hypothesis of Dow theory.
13. Data for 7 days trends of group A scrips of BSE is given below:

Day	Advances	Declines	Total
1	70	125	199
2	80	118	199
3	125	69	199
4	130	60	199
5	144	54	199
6	150	45	199
7	84	110	199

Calculate :

- a) Short period A-D line b) Long period A-D line.

SECTION – C

(Compulsory)

(1X10=10)

14. Following data has been extracted from popular index:

Day	Value of index
1/3/2022	57100
2/3/2022	57200
3/3/2022	57350
4/3/2022	57100
5/3/2022	56850

The 100 day simple moving average as on 28/2/2022 is 57000. You are required to calculate the 100 day exponential moving average starting from 1/3/2022. The value of exponent for 100 days may be taken as 0.02.

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MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING

Time: 3 hrs

Max Marks: 70

SECTION – A

Answer any **FIVE** questions out of seven questions. (5×4=20)

- Classify the types of mergers.
- XYZ Ltd is considering merger with ABC Ltd. Details are given below:

	XYZ Ltd	ABC Ltd
Earnings after tax	₹ 0.4 Million	₹ 0.1 Million
No. of outstanding shares	200000	100000
Market price per share	₹ 25	₹ 12.50

What must be the exchange ratio be for XYZ Ltd.'s that pre and post-merger EPS to be the same?

- Explain the Adjusted Present value approach for M & A valuation.
- Examine spin-offs and equity carve outs as a form of restructuring.
- Summarise the SEBI takeover code 2011.
- Discuss need for due diligence.
- Analyse the drivers of synergy.

SECTION – B

Answer any **FOUR** questions out of six questions. (4×10=40)

- Explain the reasons for failure of mergers and acquisitions.
- Management of Amtech Ltd is under immense pressure to boost its sagging earnings. The firm has been advised by its consultants "Matrix Solutions" to follow the route of inorganic growth as an immediate solution to its problem. In the medium term as the market picks up the earnings position is likely to improve its own. The current profit after tax (PAT) for Amtech Ltd is ₹ 125 lakh and the EPS is ₹ 3.125. Current market value per share for Amtech Ltd stands at ₹ 57.25.
Matrix Ltd, as a part of their consulting package, has indentified Susceptible Ltd as the suitable target firm. The current PAT of Susceptible Ltd is ₹ 75 lakh and EPS is ₹ 7.5. Market price of its shares is ₹ 87.5. Amtech wants its EPS (after merger) to go up to ₹ 5.75. Calculate the number of shares offered by Amtech Ltd to Susceptible Ltd.
- Explain the types of takeover tactics.
- Firm Alpha plans to acquire Beta. The following are the pre-merger statistics of the two firms.

Particulars	Firm Alpha	Firm Beta
MPS	₹ 50	₹ 20
Book Value per share	₹ 34	₹ 16
Number of outstanding shares	4,50,000	2,25,000
Market Value	₹ 22,50,00,00	45,00,000

Contd...2

Alpha Limited is planning to offer two settlement plans:

- a) Paying 35 lakh in one lumpsum
- b) Alpha Ltd offered to the shareholder of Beta Ltd one share in exchange for every two shares held by them in Beta Ltd.

Merger is expected to bring gain which have a present value of ₹ 50 lakh.

Should Alpha Ltd acquire Beta Ltd, if so how settlement of purchase consideration must be made.

12. Discuss the planning and implementation of mergers.
13. Explain the conditions precedent for approval of mergers by the high court as per the Companies Act 1956 and its implications as per companies Act 2013.

SECTION - C

(Compulsory)

(1X10=10)

14. The following information is provided in relation to the acquiring firm Mark Ltd., and target firm Spencer Ltd.

Particulars	Mark Ltd.	Spencer Ltd.
Earnings after taxes (₹)	2000 lakhs	400 lakhs
Number of equity shares outstanding	200 lakhs	160 lakhs
P/E ratio	10	5

Determine the following:

- a. Share exchange ratio in terms of current market price
- b. EPS of Mark Ltd after acquisition.
- c. Expected MPS of Mark Ltd. after acquisition assuming that P/E ratio of Mark Ltd. remains unchanged.
- d. Market value of the merged firm
- e. Gain/loss for shareholders of the two independent companies after acquisition.

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Semester III – P.G. Examination - M.Com
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INVESTMENT BANKING AND FINANCIAL SERVICES

Time: 3 hrs

Max Marks: 70

SECTION – A

Answer any FIVE questions out of seven questions. (5×4=20)

1. Compare fund based and fee based services of investment banks
2. Explain the features of private equity.
3. Explain green shoe option.
4. Examine the advantages and disadvantages of leasing.
5. Discuss the characteristics of forfaiting.
6. Examine the significance of credit rating.
7. Explain the objectives of depository services.

SECTION – B

Answer any FOUR questions out of six questions. (4×10=40)

8. Discuss the functions of merchant banking.
9. Explain the finance sector reforms in India.
10. Analyse the issue management process.
11. Examine the forms of underwriting.
12. Compare financial lease and operating lease.
13. Discuss the depository process.

SECTION – C

(Compulsory)

(1X10=10)

14. An industrial unit desires to acquire a diesel generating set costing ₹ 20 lakhs which has an economic life of 10 years at the end of which the asset is not expected to have any residual value. The unit is considering the alternative choices of a) taking machinery on lease or b) purchasing the asset outright by raising a loan.
 Lease payments (₹ 2,95,902) are to be made in advance and the lessor requires the asset to be completely amortised over its useful period.
 The cost of debt is worked out at 16% p.a. The lender requires the loan to be repaid in 10 equal annual instalments becoming due at the beginning of the first year. Average rate of income tax is 50%. It is expected that the operating costs would remain the same under either method. The firm follows straight line method of depreciation and the same is accepted for tax purposes. Advise the firm.

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CORPORATE TAX PLANNING

Time: 3 hrs

Max Marks: 70

SECTION – A

Answer any **FIVE** questions out of seven questions.

(5×4=20)

1. What aspects are included in Tax Management?
2. List out the tax advantages of amalgamations and mergers.
3. Calculate the taxable income of the company from the following information for the Assessment Year 2022-23.
 - a) Book profit ₹ 25 lakh for the year 2021-22.
 - b) Subsidiary company loss for the year 2021-22 ₹ 5.5 lakh.
 - c) Brought forward loss ₹ 3.75 lakh.
 - d) Speculative business loss for the same year ₹ 5.5 lakh.
 - e) Capital loss ₹ 2 lakh.
 - f) Net Profit as per normal provision ₹ 22 lakh.
4. Discuss the tax incentives available to undertakings set up in Special Economic Zones u/s 10AA.
5. What is the difference between Double taxation relief and Double taxation avoidance?
6. Explain the various payments on which tax is deducted at source.
7. Write a note on Minimum Alternative Tax (MAT)

SECTION – B

Answer any **FOUR** questions out of six questions.

(4×10=40)

8. Explain the tax planning provisions relating to make or buy and own or lease under the Income Tax Act.
9. R Ltd. manufactures electric pump sets. The company has the option to either make or buy from the market component "M" used in the manufacture of the sets. The following are the details available.

The component will be manufactured on new machine costing ₹ 10,00,000 with a life of 10 years. Material required costs ₹ 4 per kg and wages ₹ 0.60 per hour. The salary of the foreman employed is ₹ 3,000 per month and other variable overheads include ₹ 40,000 for manufacturing 25,000 components per year. Material requirement is 25,000 kgs and requires 50,000 labour hours. The component is available in the market at 8.60 per piece.

Will it be profitable to make or buy the component?

Does it make any difference if the component can be manufactured on an existing machine.

Contd...2

PS 314.3

10. From the following information, compute the tax payable by a tonnage tax company for the Assessment Year 2022-23.
- The company has two qualifying ships. The net tonnage of ship I is 27,749 ton 400 Kg and ship II 16,750 ton 500 Kg.
 - Ship I runs for 365 days during the previous year and ship II for 150 days during the previous year.
 - Turnover of core activities ₹ 20 crore.
11. Mr. Pratham, a resident individual has derived the following Income for the previous year relevant to the Assessment year 2022-23:

	₹
Income from business in India	9,00,000
Income from business in foreign country	2,50,000
Tax paid in foreign country	50,000
Income from other sources in India	1,00,000

He 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 that foreign country.

12. Mr. Damodar is an employee of a Company at Udaipur (population exceeding 25 lakh). He would receive the following during the financial year 2021-22.

	₹
Salary	9,60,000
Dearness Allowance	2,80,000
Bonus	80,000

Children Education Allowance ₹ 150 p.m. for one child

Rent-free House – FRV ₹ 1,50,000

His annual contribution to Provident Fund is ₹ 96,000.

He has paid Life Insurance Premium of ₹ 12,000.

Donation to Prime Minister's National Relief Fund ₹ 10,000 by cheque.

Compute his Income from salary liable to deduction of tax at source and the amount of tax to be deducted.

13. A domestic company submits the following particulars of its Income of the previous year ended March 31, 2022.

S.I. No	Particulars	₹
i)	Profits of business after deduction of donations to approved charitable institution	4,00,000
ii)	Donation to charitable institution by cheque	50,000
iii)	Interest on Govt. securities	20,000
iv)	Dividend from a domestic company (Gross)	60,000
v)	Long-term capital gain	1,00,000
vi)	Book profits u/s/ 115JB	10,00,000

During the financial year 2021-22, the company deposited ₹ 50,000 in Industrial Development Bank of India. The company distributed a dividend of ₹ 1,00,000 on 06.09.2021.

Compute the taxable income of the company and tax payable by it for the Assessment Year 2022-23.

SECTION - C

(Compulsory)

(1X10=10)

14. The following is the Profit and Loss A/c of Bharath Co. Ltd. for the year ended 31st March 2022.

Particulars	₹	Particulars	₹
To Salaries	3,00,000	By Domestic Sales	25,00,000
To Rent, rates	2,00,000	By Export Sales	10,00,000
To Repairs	1,20,000	By Transfer from	
To Selling exp.	3,50,000	General Reserve	2,00,000
To Depreciation	5,00,000		
To Income tax	3,60,000		
To Proposed	2,70,000		
Dividend	16,00,000		
To Net Profit	37,00,000		37,00,000

Other information:

- The company has long-term capital gain of ₹ 1,00,000 which is not credited to Profit and Loss A/c.
- Foreign exchange remittance ₹ 7,00,000.
- Depreciation u/s 32 ₹ 4,50,000
- The company wants to set-off the following:

Particulars	For Tax purpose ₹	For Accounting purpose ₹
Brought forward loss of 2021-22	5,00,000	4,00,000
Unabsorbed depreciation	2,00,000	2,00,000

You are required to compute:

- Book Profit as per Section 115JB;
- Total Income of the company;
- Tax liability of the company.

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CONTEMPORARY ISSUES IN ACCOUNTING

Time: 3 hrs

Max Marks: 70

SECTION – A

Answer any FIVE questions out of seven questions. (5×4=20)

1. Outline the need of global convergence of accounting.
2. Compare and contrast IFRS and Indian GAAP.
3. Summarize the various creative accounting techniques.
4. Examine the utility of Value Added Statements.
5. Discuss the relevance of Human Resource Accounting.
6. Elaborate the limitations of Social Accounting.
7. Outline the responsibilities of a forensic accountant.

SECTION – B

Answer any FOUR questions out of six questions. (4×10=40)

8. From the following details, compute according to Lev and Schwartz model the total value of human resources of the employee groups skilled and unskilled.

Particulars	Skilled	Unskilled
Annual average earnings of an employee till the retirement age	₹ 50,000	₹ 30,000
Age of retirement	65 years	62 years
Discount Rate	15%	15%
No of employees in the group	20	25
Average age	62 years	60 years

9. "Window dressing can mislead the investors and other stakeholders who do not have the proper operational knowledge of the business." Justify the statement by explaining its impact on the performance of the company.
10. "Globally comparable accounting standards promote transparency, accountability, and efficiency in financial markets around the world". Elaborate the statement by highlighting the scope of international accounting.
11. From the following information taken from the books of KLR Ltd relating to staff and community benefits, prepare a statement classifying the various items under the appropriate heads using social accounting:

Contd...2

Particulars	Amount (₹)
Environmental improvements	36,18,000
Medical facilities	9,00,000
Training programmes	18,45,000
Generation of job opportunities	1,09,35,000
Municipal taxes	19,26,000
Increase in cost of living in the vicinity due to a thermal power station	29,79,000
Concessional transport	20,25,000
Extra work put in by staff and officers for drought relief	33,30,000
Leave encashment and leave travel benefits	93,60,000
Educational facilities for children of staff members	38,88,000
Subsidized canteen facilities	25,92,000
Generation of business	45,00,000

12. The following information is available of a concern, calculate EVA:

Debt capital 12%	₹ 2,000 crores
Equity Capital	₹ 500 crores
Reserves and surplus	₹ 7,500 crores
Capital employed	₹ 10,000 crores
Risk free rate	9%
Beta factor	1.05
Market rate of return	19%
Equity (market) risk premium	10%
Operating profit after tax	₹ 2,100 crores
Tax rate	30%

13. "Forensic accounting encompasses the provision of litigation support and investigation accounting services." Analyse the statement by explaining the objectives and utility of forensic accounting.

SECTION - C

14. (Compulsory) (1X10=10)
Ranbaxy Ltd engaged in manufacturing business furnished the following Profit & Loss A/c for the year ended March 31, 2022.

(₹ in Lakhs)			
Particulars	Notes		Amount
Income:			
Sales			1,780
Other Income			110
			1,890
Expenditure:			
Production & Operational Expenses	(a)	1,282	
Administration Expenses (factory)	(b)	66	
Interest	(c)	58	
Depreciation		34	1440
Profit before taxes			450
Provision for taxes	(d)		60
Profit after taxes			390
Balance as per last Balance Sheet			20
			410
Transferred to General Reserve		90	
Dividend Paid		190	280
Surplus carried to Balance Sheet			130
			410

Notes

(a) Production & Operational Expenses:	₹ (in Lakhs)	
Consumption of raw materials	586	
Consumption of stores	118	
Salaries, Wages, Gratuity etc. (Administration)	164	
Cess & Local taxes etc.	196	
Other manufacturing Expenses	<u>218</u>	1,282

(b) Administration expenses include Salaries, Commission to Directors- ₹ 18 Lakhs provision, for Doubtful Debts ₹ 12.60 Lakh .

(c)	₹ (in Lakhs)	
Interest on loan from ICICI Bank for working capital	18	
Interest on loan from ICICI Bank for fixed loan	20	
Interest on loan from IFCI for fixed loan	16	
Interest on Debentures	<u>4</u>	58

(d) The charges for taxation include a transfer of ₹ 6.00 lakh to the credit of Deferred Tax Account.

(e) Cess and Local taxes include Excise Duty, which is equal to 10% of cost of bought-in material.

Required:

Prepare a Gross Value Added Statement of Ranbaxy Ltd and also show the reconciliation between Gross Value Added and Profit before Taxation
