St Aloysius College (Autonomous) Mangaluru

Semester IV– P.G. Examination – M.Com
May/June – 2023

INTERNATIONAL FINANCIAL MANAGEMENT

Time: 3 hrs.   Max Marks: 70

SECTION – A

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

1. Analyse the factors affecting exchange rates.
2. Examine the effects of the Bretton Woods conference.
3. Explain current account and capital account in a BOP statement.
4. Classify the types of currency exposure.
5. Compare centralized and decentralized cash management.
6. Explain direct and indirect quote with an illustration.
7. Examine the players in the forex market.

SECTION – B

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

8. Explain the scope and challenges of international finance.
9. Discuss the types of hedging strategies.
10. Examine the PPP theory with its drawbacks.
11. Analyse the characteristics and formats of project finance.
12. Given the following information, calculate the possibilities of triangular arbitrage profit.
    CAD = USD 0.90
    NZD = USD 0.30
    CAD = NZD 3.02

13. Spot rate = ₹ 82.0030/\$;   6 months forward rate = ₹ 83.0010/\$

    Rupee interest rate = 12%

    Dollar interest rate = 8%

    Given the above data, is there an arbitrage possibility? If yes, show the gain and assume a loan of \$200,000 or its equivalent in Indian rupees at the current spot rate.

SECTION – C (Compulsory)   (1x10=10)

14. Prepare the BOP statement of India from the following transactions
    i. An Indian firm exports ₹80,000 worth of goods to be paid in 3 months.
    ii. An Indian resident visits UK and spends ₹1,00,000 on hotel, meals and so on.
    iii. An Indian resident purchases foreign stock for ₹50,000 and pays for it by increasing the foreign bank balance in India.
    iv. A foreign investor purchases ₹70,000 worth of Indian treasury bill and pays by drawing down his bank balance in India by an equal amount.
    v. US government gives a bank balance of \$10,000 to the government of a developing nation as a part of the US aid programme.

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Semester IV– P.G. Examination – M.Com
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DERIVATIVES AND RISK MANAGEMENT

Max Marks: 70

Time: 3 hrs.

SECTION – A

(5x4=20)

Answer any **FIVE** questions.

1. Classify the participants in derivatives market.

2. Explain the methods of risk financing.

3. Distinguish between forwards and futures.

4. Consider a 6 month forward contract on 100 shares with a price of ₹ 38 each. The risk free rate of interest continuously compounded its 10% p.a. The share is expected to yield a dividend of ₹ 1.50 in 4 months from now. Determine the value of forward contract.

5. Explain the factors influencing option price under B-S model.

6. Classify the types of spread strategies.

7. Identify the types of financial swaps.

SECTION – B

(4x10=40)

Answer any **FOUR** questions.

8. Examine the types of derivatives.

9. Classify the types of risks

10. Given the following information about two-month option contract on Cipla. The current price is ₹550 and the Strike price is ₹600. The annual continuously compounded risk free return is 7.5% and standard deviation of the returns on the stock is 45%. Make use of the Black-Scholes model and calculate the value of call option.

11. The following data is about four put options on Wipro Ltd. for which one contract involves 2400 shares.

Strike Price (₹)	240	250	260
Premium (₹)	3	4	5

Help an investor to create a butterfly spread and compute pay-off assuming various ranges of spot prices of ₹230, ₹245, ₹255 and ₹270.

12. The price of the Suzlon shares at the NSE is ₹ 85, while a three month futures contract on Suzlon is being traded at ₹ 90. If one can borrow at 12% and Suzlon is not paying any dividend in the next three months, is there any arbitrage opportunity available in the prices ruling in the spot market and futures market? If so, how can a profit be made? Assume the size of the futures contract to be 1,000 shares.

13. Sun Ltd and Moon Ltd require ₹ 5 million for five years term and have been offered the following rates.

Company	Fixed Rate	Floating Rate
Sun Ltd	8.5%	6-month LIBOR+ 0.50%
Moon Ltd	9.6%	6-month LIBOR+ 0.80%

Sun Ltd wants to borrow at a floating rate linked to six-month LIBOR while Moon Ltd. wants to borrow a fixed rate. Develop an interest rate swap which is equally attractive to both the companies if swap is arranged with swap dealer (financial intermediary) who will charge 0.10% as commission.

SECTION – C (Compulsory)   (1x10=10)

14. Mr Rajesh has taken a short position in five copper futures contract at an exercise price of ₹325 per kg. The initial margin of the contract is 15% and the maintenance margin is 80% of initial margin. The futures prices for the first five days of the contract are given below.

Day	1	2	3	4	5
Settlement price (₹ per kg)	330.50	327.70	338.20	335.10	340.75

Prepare a margin account of the investor assuming that all margin calls are honoured immediately and lot size of the contract is 1000 kg.

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St Aloysius College (Autonomous)
Mangaluru
Semester IV– P.G. Examination – M.Com
May/June – 2023
COST AND MANAGEMENT ACCOUNTING

Time: 3 hrs.   Max Marks: 70

SECTION – A

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

1. Distinguish between a Cost Sheet and a Production Account. What advantages are derived from the preparation of Cost Sheet?

2. Prepare a Process Account, Abnormal Loss Account and Normal Loss Account from the following information.

Input of Raw material	1,000 units @ ₹ 20 per unit
Direct Material	₹4,200
Direct Wages	₹6,000
Production Overheads	₹6,000
Actual output transferred to process II	900 units
Normal Loss	5%
Value of Scrap per unit	₹8

3. Define C.V.P analysis. How does it help managers in decision-making?

4. Examine and explain the concept of target pricing.

5. From the following particulars find out:

   i) Material price variance

   ii) Material usage variance and

   iii) Material cost variance and explain possible causes of variances

   a) Quantity of materials purchased   3,000 units

   b) Value of materials purchased   ₹ 9,000

   c) Standard Quantity of material required per tonne of finished products 25 units

   d) Standard rate of material   ₹ 2 per unit

   e) Opening stock of material   Nil

   f) Closing stock of material   500 units

   g) Finished production during the year 80 tonnes

6. The following figures are extracted from books of ABC Ltd. for the year ended 31.03.2023.

	₹
Sales	5,00,000
Direct Materials	2,05,000
Direct Labor	75,000
Variable Overheads	1,00,000
Fixed Overheads	60,000

Calculate: a) P/V Ratio

b) Break-even Point

7. What is Activity based costing? How is it a refinement over traditional costing?

SECTION – B

Answer any FOUR questions.   (4x10=40)

8. A company produces a single product from a single material, It operates a standard cost system and furnishes you the following information.

Particulars	Standard	Actual
Production	8,000	6,000
Materials:		
Total Quantity - Kgs	16,000	13,000
Total Amount	32,000	27,300
Labour:		
Total hours	2,400	2,000
Total amount	3,000	3,000

You are required to compute the necessary variances.

9. S Co. has furnished the following particulars in respect of two products A & B. A is a newly introduced product with some technical problems requiring substantial engineering changes. On the other hand, Product B is a mature and established product and thus not require much attention regarding engineering changes.

	A	B
Output units	2,000	2,000
Engineering changes notices per product Line	30	18
Unit cost per engineering change notice	� 1,250	1,250
Machine hours required per unit	4	8

You are required to:

a) Ascertain overhead cost per unit of each product by using traditional machine hour rate Method;

b) Ascertain overhead cost per unit of each products using ABC;

c) Comment on the results.

10. The Sales and Profit figures of two years are given below:-

Year	Sales (₹)	Profit (₹)
2022	1,50,000	20,000
2023	1,70,000	25,000

You are required to calculate:

i)   P/V Ratio

ii)   Break-even Point

iii)   The sales required to earn a profit of Rs. 40,000

iv)   Margin of Safety at a profit of Rs. 50,000

v)   The profit made when sales are Rs. 2,50,000

11. Discuss the various perspectives of the Balance scorecard.

12. "A good system of costing serves as a means of control over expenditure and helps to secure economy in manufacture." Discuss.

13. The budgeted overheads and cost driver volumes of S Ltd. are as follows:

Cost Pools	Budget Overheads	Cost Driver	Budgeted Volumes
Machinery Purchased	9,00,000	No. of orders	3,000
Material Handling	4,00,000	No. of Movements	1,000
Setup	3,00,000	No. of Set-ups	600
Maintenance	10,00,000	Maintenance Hours	10,000
Quality control	2,00,000	No. of Inspection	1,000
Machinery	10,00,000	No. of Machine Hours	20,000

The company has produced a batch of 3,000 components of AB-30. Its material cost is ₹ 1,50,000 and direct labour cost ₹ 3,00,000. The usage activities of said batch are as follows:

Machine Hours	2,500	Set-up	30
Material orders	30	Maintenance Hours	500
Material Movements	15	No. of Inspections	30

(a) Calculate cost driver rates that are used for treating appropriate amount of overheads to the said batch.

(b) Ascertain the cost of batch of components using Activity Based Costing.

SECTION – C (Compulsory)   (1x10=10)

14. The product of a company passes through 3 distinct processes. The following information is obtained from the accounts for the month ending January 31, 2023.

Particulars	Process - A ₹	Process - B ₹	Process - C ₹
Direct Material	7,800	5,940	8,886
Direct Wages	6,000	9,000	12,000
Production Overheads	6,000	9,000	12,000

3,000 units @ ₹ 3 each were introduced to process - I. There was no stock of materials or work in progress. The output of each process passes directly to the next process and finally to finished stock A/c.

The following additional data is obtained:

Process	Output	Percentage of Normal Loss to Input	Value of Scrap per unit(₹)
Process - I	2,850	5%	2
Process - II	2,520	10%	5
Process - III	2,250	15%	4

Prepare Process Cost Account, Normal Cost Account and Abnormal Gain or Loss Account.

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Mangaluru
Semester IV– P.G. Examination – M.Com
May /June – 2023

PORTFOLIO THEORY AND MANAGEMENT

Time: 3 hrs.   Max Marks: 70

SECTION – A

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

1. Explain Random Walk theory.

2. What is strong form of market efficiency?

3. What is beta? State the significance of beta in investment analysis.

4. Compare Markowitz Model with the Single Index Model.

5. List out the objectives of Personal Financial Planning.

6. Consider stock P and Q:

	Expected return (%)	Standard Deviation (%)
P	16	25
Q	18	30

The returns on the two stocks are perfectively negatively correlated (-1). What is the expected return of portfolio constructed to drive the standard deviation of portfolio return to zero?

7. The expected return for the market is 15 percent with a standard deviation of 25 percent. The risk-free rate is 8 percent. The following information is available for mutual funds, all assumed to be efficient:

Mutual fund	OMEGA	PIONEER	MONARCH	ZENITH
Standard deviation (%)	16	20	24	30

   a. Calculate the slope of capital market line.

   b. Calculate the expected return for each mutual fund.

SECTION – B

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

8. Explain the steps involved in Portfolio Management process.

9. Describe the rules of investment spelt out by John Templeton and Warren Buffets strategy for investment.

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

11. Mr. Sharma, portfolio manager at Om Portfolio Management Service uses CAPM for making recommendations to his clients. His research department has developed the information shown in the following exhibit:

	Estimated returns (%)	Standard deviation (%)	Beta
Infosys	24	43	0.7
HUL	19	26	0.5
Reliance Industries	11	39	1.2
SBI	15	39	1.2
Sensex (market index)	15	24	1.0

The risk-free rate of return is 5%.

   a. Determine the expected return and alpha for each stock.

   b. Identify and justify which stock would be more appropriate for an investor who wants to:

      i.   Add this stock to a well diversified equity portfolio

      ii.   Hold this stock as a single stock portfolio

12. The returns on stock S and market portfolio for a period of 6 years are as follows:

Year	1	2	3	4	5	6
Return on S (%)	12	15	11	2	10	-12
Return on market (%)	8	12	11	-4	9.5	-2

You are required to determine:

   i.   Characteristic line for stock S.

   ii.   The systematic and unsystematic risk of stock S.

13. Consider the following information for three mutual funds, A, B and C and the market (SENSEX):

Portfolio	Mean return (%)	Standard deviation (%)	Beta
A	24	22	1.8
B	16	14	1.2
C	12	13	0.8
Market index (SENSEX)	10	10	1.00

The mean risk-free rate was 7%. Calculate the Sharpe measure, Treynor measure and Jensen's measure of net selectivity.

SECTION – C (Compulsory)   (1x10=10)

14. The returns of two assets A and B under four possible states of nature are given below:

State of nature	Probability	Return on asset A (%)	Return on asset B (%)
1	0.10	5	0
2	0.30	10	8
3	0.50	15	18
4	0.10	20	26

   a. What is the standard deviation of the asset A? asset B?

   b. What is the covariance between the returns on asset A and B?

   c. What is the correlation coefficient between the returns on asset A and B?

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Semester IV– P.G. Examination – M.Com
May/June – 2023
COMPUTER APPLICATIONS IN BUSINESS

Time: 3 hrs.

Max Marks: 70

SECTION – A

Answer any FIVE questions.

(5x4=20)

1. List any 4 applications of spreadsheet.

2. Describe the relevance of tally in Financial Reporting.

3. Explain the payroll voucher in Tally.

4. Analyse the features of chart in Spreadsheet.

5. List out the legal risk involved in E-Payment.

6. State the importance of IT Act 2000.

7. Explain the relevance of technology of internet under cyber law.

SECTION – B

Answer any FOUR questions.   (4x10=40)

8. Explain the 5 components of Information Technology.

9. Analyse different functions of MS Excel.

10. Discuss various models of E-Commerce

11. Analyse the threats involved and measures to mitigate the risks of Internet.

12. Examine different types of E-Payments.

13. What do you understand by Tally ERP? Explain the meaning of payment voucher and highlights the procedure to entry Payment vouchers in Tally.

SECTION – C (Compulsory)   (1x10=10)

14. Explain the applications of computer in business.

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