G 2051 (Pages : 4) Reg. No.............................

Name...............................

# M.Com. DEGREE (CSS) EXAMINATION, JULY 2014

## Fourth Semester

Faculty of Commerce

Elective—Finance

AC04C16—ADVANCED COST ACCOUNTING

(2012 Admission—Regular)

[Common for all Electives]

Time : Three Hours Maximum Weight : 30

## Section A

*Answer any **five** questions.*
*Each question carries 1 weight.*

1. What is integral accounting ?
2. Define budgetary control.
3. What are the possible causes of volume variance ?
4. What do you understand by equivalent production ?
5. What is Break-Even analysis ?
6. What is a profit centre ?
7. What is abnormal gain ?
8. What is meant by joint products.

(5 × 1 = 5)



## Section B

*Answer any **five** questions.*
*Each question carries 2 weights.*

9. The product of company passes through three distinct processes to completion. They are known as A, B and C. From past experience it is ascertained that loss is incurred in each process as Process A. – 2 % Process B – 5% and Process C – 10 %. In each case the Percentage of Loss is computed on the number of units entering the process concerned. The loss of each process possesses a scrap value The loss of process A and B is sold at Rs. 5 per 100 units and that of process C at Rs. 20 per 100 units. The output of each process passes to the next process and finished units are passed from process C into stock :

Turn over

| | | Process A | Process B | Process C |
|---|---|---|---|---|
| | | Rs. | Rs. | Rs. |
| Materials consumed | ... | 6,000 | 4,000 | 2,000 |
| Direct Labour | ... | 8,000 | 6,000 | 3,000 |
| Manufacturing expenses | ... | 1,000 | 1,000 | 1,500 |

20,000 units have been issued to process A at a cost of Rs. 10,000. The output of each process has been as under.

Process A : 19,500, Process B-18,800, Process C 16,000. There is no work in progress in any process. Prepare process account.

10. Calculate variances from the following data :

| | | Standard | Actual |
|---|---|---|---|
| No. of Men employed | ... | 100 | 90 |
| Output in units | ... | 5,000 | 4,800 |
| Number of working days | ... | 20 per Month | 18 per month |
| Average wages per man per month | ... | Rs. 200 | Rs. 198 |

11. For the production of 10,000 electric automatic irons, the following are the budgeted expenses :

| | | Per unit (Rs.) |
|---|---|---|
| Direct material | ... | 60 |
| Direct labour | ... | 30 |
| Variable overhead | ... | 25 |
| Fixed overhead (Rs. 1,50,000) | ... | 15 |
| Variable expenses (direct) | ... | 5 |
| Selling expenses (10 % fixed) | ... | 15 |
| Administration expenses (Rs. 50,000 rigid) for all levels of production | ... | 5 |
| Distribution expenses (20 %) fixed | ... | 5 |
| Total cost of sale per unit | ... | 160 |

Prepare a budget of the production of 6,000, 7,000 and 8,000 irons, showing distinctly the marginal cost and total cost.

12. From the following find out :

(a) P/v ratio.

(b) BE Point.

(c) Sales for 40 % P/v ratio.

(d) Margin of safety from the sales Rs. 3,00,000.

(e) Net Profit from the sales of Rs. 3,00,000.

(f) Required sales for the net profit of Rs. 70,000.

(g) Required sales for the net profit of Rs. 70,000 after tax, the corporate tax rate being 60 %.

(h) Additional sales required to cover an increase of Rs. 3000 p.a. in the sales manager's salary position of the Company for the year 2004.

| | | Rs. |
|---|---|---|
| Sales | — | 2,00,000 |
| Variable overhead | — | 1,50,000 |
| Contribution | — | 50,000 |
| Fixed overhead | — | 15,000 |
| Net profit | | 35,000 |

13. What is meant by cost volume Profit Analysis ? Explain its importance.

14. Describe briefly the procedure for establishing std. costs within the divisions of material labour and overhead cost.

15. Define control A/c and explain its significance in cost accounting.

16. What do you understand by ZBB ? How is it different from traditional budgeting.

(5 × 2 = 10)

## Section C

*Answer any* **three** *questions.*

*Each question carries 5 weights.*



17. The P/V ratio of a firm dealing in precision instruments is 50 % and margin of safety is 40 %. You are required to work out Break Even Point and the Net Profit if the sales volume is Rs. 50,00,000. If 25 % of variable cost in labour cost, what will be the effect on BEP and profit when labour efficiency decreases by 5 %.

18. From the following information for March, 2012 prepare process cost accounts for process II by applying FIFO method.

    Opening stock : 600 units Rs. 1050

    Degree of completion : Materials—80 % labour 60 % and overhead 60 %.

    Transfer from process I—11000 units at Rs. 5,500.

    Transfer from process III—3800 units.

    Direct materials added to Process II—Rs. 2,410.

    Direct labour amounted to Rs. 7,155.

    Production overhead incurred Rs. 9,540.

    Units scrapped—1,200.

Degree of completion-materials—100 % labour 70 % and overhead 70 %.

Closing stock : 1600 units

Degree of completion—material—70 %, labour—60 % and overhead—60 %

There was a normal loss in the process of 10 % of production. Units scrapped realised at 50 praise per unit.

19. The financial records by Modern Manufactures reveal the following data for the year ended March 31, 1998.

| | | | (Rs. in thousands) |
|---|---|---|---|
| Sales (20,000 units) | ... | | 4,000 |
| Materials | ... | | 1,600 |
| Wages | ... | | 800 |
| Factory overheads | ... | | 720 |
| Office and Administration overhead | ... | | 416 |
| Selling and distribution overhead | ... | | 288 |
| Closing stock of finished goods (1230 units) | ... | | 240 |
| Work in Progress : (Closing) | | Rs. | |
| Materials | | 48 | |
| Labour | | 32 | |
| Overhead (factory) | | 32 | 112 |
| Goodwill written off | | | 320 |
| Interest on capital | | | 32 |



In the costing records, factory overhead is charged at 100 % of wages, administration overhead at 10 % of works cost and selling and distribution overhead at Rs. 16 per unit sold.

Prepare a statement reconciling the profit as per cost records with the profits as per financial records of the company.

20. From the following, calculate overhead variances :—

| | *Budgeted* | *Actual* |
|---|---|---|
| Output | 15,000 units | 16,000 units |
| No. of working days | 25 | 27 |
| Fixed overhead | Rs. 30,000 | Rs. 30,500 |
| Variable overhead | Rs. 45,000 | Rs. 47,000 |

There was an increase of 5 % in capacity.

21. What are the by-products ? How will you classify by products ? Discuss the method of accounting used.

22. Explain different types of budgets ? What is the purpose of classification . How does it help to operate budgetory control techniques efficiently and effectively ?

(3 × 5 = 15)

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Name..............................

# M.Com. DEGREE (CSS) EXAMINATION, JULY 2014

## Fourth Semester

Faculty of Commerce

Elective—Finance

FM 04 E02—FINANCIAL MARKETS AND DERIVATIVES

(2012 Admissions—Regular)

Time : Three Hours Maximum Weight : 30

### Section A

*Answer any* **five** *questions.*
*Weight* 1 *each.*

1. Define Swapation.
2. What are interest rate futures ?
3. What are the functions of DFHI ?
4. How do you calculate minimum value of a put option ?
5. What is making to market ?
6. What is exercise or Strike price in option trading ?
7. What do you understand by LIBOR ?
8. State the difference between Primary market and Secondary market.

(5 × 1 = 5)



### Section B

*Answer any* **five** *questions.*
*Weight* 2 *each.*

9. What are exchange traded derivatives ?
10. What are SWAPS ? Describe the Common types of SWAPS.
11. State the binomial option price model. What are its assumptions and limitations ?
12. Briefly explain the option Strategies for Speculation.
13. Define stock index futures and what are its uses ?
14. Derivatives are effective Risk management tool. Comment on this statement.

Turn over

15. A six month gold future of contract of 100 gm. Assume that the Spot price is Rs. 2,500 per gram and that it cost Rs. 10 per gram for the six monthly period and the cost is incurred at the end of the period. If the risk less interest rate is 12 % p.a. compounded continuously. Calculate the future price.

16. A one year long forward contract on a non-dividend paying stock is entered into when the stock price is Rs. 420 and the risk free interest rate is 10 % p.a. with continuous compounding. What should be the forward price of the contract ? Six months later the price of the stock is Rs. 450 and the risk free interest rate is 8 %. What should be the forward price of the contract ?

(5 × 2 = 10)

## Section C

*Answer any* **three** *questions.*

*Weight* 5 *each.*

17. Describe the regulatory frame work of derivative trading in India.

18. Discuss various types of SWAPS and their features.

19. What do you mean by Options ? Explain the prospectus of profit or loss from option transaction with suitable examples.



20. Current price of a stock is Rs. 90 per share. The risk free rate of interest is 8 % annualised continuous compounding. If the volatility of the stock is 23 % p.a. what is the price of the Rs. 80 call option expiring in 6 months according to Black and Scholar model ?

21. Current market price of the shares of A Ltd. is Rs. 100 and an option with exercise price of Rs. 115 for a call option with 12 months to expiration. It is expected that spot price of these shares at the end of three months from now might decline by 20 % of the current spot price. If the risk free interest is 10 % p.a. find out the price of call option.

22. Explain the Components role and functions of Indian Financial Market.

(3 × 5 = 15)

**G 2053** **(Pages : 2)** Reg. No.................................

Name.................................

# M.Com. DEGREE (C.S.S.) EXAMINATION, JULY 2014

## Fourth Semester

Faculty of Commerce

Elective–Finance

## IF 04 E01—INTERNATIONAL FINANCE

(2012 Admissions—Regular)

Time : Three Hours Maximum Weight : 30

### Section A

*Answer any* **five** *questions.*

*Each question carries 1 weight.*

1. What is exchange risk ?
2. What is Liberalised Exchange Rate Management System (LERMS) ?
3. What is "Triffin Paradox" ?
4. What is gold standard ?
5. What are accomodating transactions ?
6. What is European currency unit ?
7. What are currency forwards ?
8. What is meant by corporate strategy ?

(5 × 1 = 5)



### Section B

*Answer any* **five** *questions.*

*Each question carries 2 weights.*

9. Define European Monetary System. What are the objectives of European Monetary System (EMS) ?
10. What are the facilities provided by IMF to the member countries ?
11. What do you mean by disequilibrium in BOP ? What are its causes ?
12. What are the guiding principles by IBRD for lending ?

Turn over

13. Briefly explain the different exchange rate regimes or systems.

14. State the International Fisher Effect theory. What is the rationale for the existence of IFE theory ?

15. What are the important techniques of exchange rate forecasting ?

16. Distinguish between International finance and Domestic finance.

(5 × 2 = 10)

## Section C

*Answer any* **three** *questions.*
*Each question carries* 5 *weights.*

17. Explain the PPP theory and the rationale behind it. What causes deviations from PPP ?

18. Explain the evolution of International Monetary System.

19. Briefly explain the operation or working of IMF.

20. Define BOP identity. Explain briefly the accounting principles in BOP statement.

21. What are the complexities and issues involved in managing financial functions in MNCs ?

22. What are the basic problems involved in the optimisation of international investment portfolio ?

(3 × 5 = 15)

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Name...................................

## M.Com. DEGREE (C.S.S.) EXAMINATION, JULY 2014

**Fourth Semester**

Faculty of Commerce

Elective–Finance

SA 04 E03—SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

(2012 Admissions—Regular)

Time : Three Hours Maximum Weight : 30

### Section A

*Answer any **five** questions.*
*Each question carries 1 weight.*

1. List out the characteristic of investment.
2. What are the limitations of Markowitz's theory ?
3. What is market risk ?
4. What is coupon rate ?
5. What is barometric approach ?
6. Briefly explain the Gordon's share valuation model.
7. Difference between bullish trend and bearish trend.
8. What do you mean by covariance ?

(5 × 1 = 5)

### Section B

*Answer any **five** questions.*
*Each question carries 2 weights.*

9. Briefly discuss the factors that should be considered for portfolio selection.
10. Define risk. Explain the different types of risk.
11. Briefly explain the phases of portfolio management.
12. What are the basic principles of technical analysis ?
13. Discuss various price movements identified as per Dow theory.
14. Describe the industry life cycle. What are its implications for the investor ?



**Turn over**

15. Explain the techniques of moving average analysis.

16. How would you carry out portfolio performance analysis ?

(5 × 2 = 10)

## Section C

*Answer any* **three** *questions.*
*Each question carries 5 weights.*

17. Explain the different types of investment and discuss the need and benefits of investment.

18. What do you mean by fundamental analysis ? Discuss briefly the tools used for fundamental analysis.

19. Explain the nature of a risk-return indifference curve.

20. Explain the random walk theory and its assumptions.

21. Explain how you can evaluate financial statement ?

22. Explain the risk-return calculations of portfolios with more than two securities.

(3 × 5 = 15)

G 2052 (Pages : 6) Reg. No.............................

Name.................................

# M.Com. DEGREE (C.S.S.) EXAMINATION, JULY 2014

## Fourth Semester

Faculty of Commerce

Elective—Finance

DT 04 C17—DIRECT TAXES–ASSESSMENT AND PROCEDURES

(2012 Admissions—Regular)

[Common for all Electives]

Time : Three Hours Maximum Weight : 30

## Section A

*Answer any* **five** *questions.*
*Each question carries 1 weight.*

1. Distinguish between tax planning and tax management.

2. Explain the following terms for the purpose of wealth tax

   (a) Valuation date.

   (b) Net wealth.

   (c) Residence and citizenship.



3. Describe the organisation of the Income Tax Department.

4. What are the payments of which tax is deducted at source ?

5. Describe the procedure for obtaining refund of tax already paid.

6. Describe the set-off and carry forward of losses of companies.

7. Define an AOP. What are the steps regarding computation of total income of AOP ?

8. The book profits of a company in the previous year 2012-13 computed in accordance with Sec. 115 JB of the Income Tax Act is Rs. 12,00,000. Its Total Income under the Income Tax Act for the same period is computed at Rs. 3,50,000. Is the Company liable to pay "Minimum Alternative Tax" ? If yes, how much has to be paid ?

(5 × 1 = 5)

Turn over

## Section B

*Answer any* **five** *questions.*
*Each question carries 2 weight.*

9. What are the provisions of the Income Tax in respect income escaping assessment ?

10. A, B and C are equal partners in a firm. For the previous year the particulars of income of the firm are given below :

| | | | Rs. |
|---|---|---|---|
| 1 | Profit from business | ... | 2,00,000 |
| 2 | Long term capital gain | ... | 1,00,000 |
| 3 | Interest on bank deposit | ... | 50,000 |
| 4 | Remuneration to partners | ... | 1,80,000 |
| 5 | Unabsorbed depreciation | ... | 30,000 |
| 6 | Brought forward business loss | ... | 2,00,000 |
| 7 | Capital gain invested in specified assets | ... | 30,000 |
| 8 | Amount deposited in Capital gain Account scheme 1988 | ... | 30,000 |

Compute total income and tax liability of the firm.



11. Roy Traders Limited closes its accounts on 31st March every year. During 2012-13 it had the following incomes and expenses :

(a) Profit from business Rs. 2,00,000.

(b) LTCG on transfer of land Rs. 1,00,000.

(c) LTCG on transfer of building 1,50,000.

(d) STCL Rs. 60,000.

(e) Rent from house property Rs. 36,000.

(f) Municipal tax paid relating to house property Rs. 4,000.

(g) Dividend from an Indian Company Rs. 10,000.

(h) Income from units of UTI Rs. 5,000.

(i) Dividend from a co-operative society Rs. 10,000.

(j) Income from royalty from a Foreign Company Rs. 1,00,000.

Calculate Total Income of the company for the A.Y. 2013-14.

12. Write notes on :

1 Voluntary return of income.

2 Belated return of income.

3 Revised return of income.

4 Defective return of income.

13. Explain the general powers of Income Tax authorities.

14. How the total income of a firm is computed ? Give a proforma of such computation.

15. Y Ltd. is engaged in the construction of residential flats. For the valuation date 31-3-2013, furnishes the following data and requests you to compute the taxable wealth and wealth tax.

| | | Rs. (in lakh) |
|---|---|---|
| (a) | Land in urban area (construction is not permitted as per municipal law in force | ... 20 |
| (b) | Motor cars (in the use of Company) | ... 10 |
| (c) | Jewellery (investment) | ... 20 |
| (d) | Cash balance (as per books) | ... 2 |
| (e) | Bank balance (as per books) | ... 3 |
| (f) | Guest house (situated in rural areas) | ... 4 |
| (g) | Residential flat occupied by MD (annual remmuneration of whom is Rs. 10 lakh excluding perquisites) | ... 8 |
| (h) | Residential house let out for 100 days in the financial year | ... 7 |
| (i) | Loans obtained : | |
| | For purchase of motor car | 2 |
| | For purchase of Jewellery | 2 |

The reason for inclusion or exclusion should be stated in the computation.

16. The total income of an association of persons in which A, B and C are members, sharing profits and losses in the ratio of 1 : 2 : 2 was assessed at Rs. 16,000. In computing the total income of Rs. 16,000 the Assessing Officer has made the necessary adjustments in respect of the following sums :

(a) Salaries of Rs. 6,000 and Rs. 4,000 to A and B respectively.

(b) Interest on capital Rs. 7,000, Rs. 10,000, Rs. 25,000 to A, B and C respectively.

(c) Commission of Rs.1,000. Rs. 3,500 and Rs. 4,500 to A, B and C respectively.

(d) Bonus of Rs. 1,000, Rs. 1,500 and Rs. 2,500 to A, B and C respectively.

C has borrowed capital for investment in the AOP and had paid interest of Rs.15,000 separately to the lender. Members do not have any other income.

Allocate the income amongst the members.

(5 × 2 = 10)

## Section C

*Answer any* **three** *questions.*
*Each question carries* 5 *weight.*

17. For what offences a person can be prosecuted under the I.T. Act and what are the punishments provided for such offences ?

18. From the particulars submitted below, find out the total income of PQR Co. Ltd.

| | | Rs. | | | Rs. |
|---|---|---|---|---|---|
| To Opening stock | ... | 52,400 | By Sales of sugar | ... | 11,52,500 |
| " Cane purchased | ... | 4,75,200 | " Transfer fees | ... | 300 |
| Manufacturing expenses | ... | 2,59,000 | " Rent of agricultural lands | ... | 1,000 |
| " Salaries and wages | ... | 45,500 | | | |
| " General expenses | ... | 8,500 | | | |
| " Commission and brokerage | ... | 36,400 | | | |
| " Interest on loan | ... | 8,500 | | | |
| " Director's fees | ... | 1,200 | | | |
| " Income Tax | ... | 35,800 | | | |
| " Reserve for bad debts | ... | 19,500 | | | |
| " Depreciation | ... | 69,000 | | | |
| " Provision for dividends | ... | 30,000 | | | |
| " Net profit | ... | 1,12,800 | | | |
| | | 11, 53, 800 | | | 11,53,800 |

Other information :

(i) General charges include :

1 Rs. 1,000 as donation to a hospital.

2 Rs. 1,000 subscription to sugar syndicate.

3 Rs. 2,600 commission to broker for arranging a loan for the company and

4 Rs. 2,000 paid to a director for a trip to Hyderabad to study modern methods in chocolates manufacture.

(ii) The actual bad debts amounted to Rs. 6,000.

(iii) Depreciation is Rs. 72,000.

19. What is meant by tax planning ? Explain the main points of tax planning in respect of employee's remuneration from employee's point of view.

20. A, B and C are partners in a firm sharing profits in the ratio of 3 : 2 : 1. Firm's P and L account of the year ending 31$^{st}$ March 2013 revealed a net profit of Rs. 1,50,00,000 after deduction of the following :

(a) Salary to A Rs. 8,00,000.

(b) Rent of building owned by A Rs. 60,000. Firm's office is situated in this building.

(c) Commission paid to A, B and C Rs. 2,00,000 Rs. 3,50,000 and Rs. 7,00,000 respectively.

(d) Interest on capital at 20% p.a. to A, B and C Rs. 1,50,000, Rs. 2,50,000 and Rs. 3,50,000 respectively.



(e) Bonus paid to C Rs. 5,00,000.

(f) Repairs and renewals of building of A Rs. 2,00,000 firm is not responsible to repair the building.

(g) Interest on loan given by C's wife out of her Stridhan Rs. 3,00,000.

(h) Audit fees paid to A's son who is Chartered Accountant Rs. 20,000.

(i) Taxi hire paid to B Rs. 25,000. B runs taxi business independently. Firm took his taxi on hire for firm's business.

(j) Firm donated Rs. 80,000 to approved institutions by cheques.

Firm's income of Rs. 1,50,00,000 includes, Rs. 4,50,000 (net) interest received on government securities.

Compute firm's total income for the Assessment Year 2013-14.

21. What do you understand by Advance Payment of Tax ? Explain clearly the provisions of the Income Tax Act in this respect.

22. A, B and C are partners in a firm sharing profits and losses in the ratio of ½, ¼ and ¼ respectively. After 8 months B left and D was taken in his place and the profit and loss sharing ratio was adjusted as follows :

A $6/16$, C $5/16$ and D $5/16$. For the previous year 2012-13 the account of the firm disclosed a profit of Rs. 88,000.

The above book profit had been worked out after debiting the following items under the terms of partnership deed :

(a) Rs. 8,000 interest paid to A.

(b) Rs. 12,000 paid to C for salary.

(c) Rs. 6,000 shop rent to B.

(d) Rs. 3,000 commission paid to D.

The firm has to be allowed depreciation Rs. 22,000. The depreciation has not been taken into account while calculating the above net profit. Compute the total income of the firm and allocate it among the partners assuming that the firm fulfils the conditions of Sec. 184.

B/F business loss of the A.Y. 2011-12 Rs. 60,000.

(3 × 5 = 15)