

M.Com. DEGREE (C.S.S.) EXAMINATION, MARCH 2015**First Semester**

Faculty of Commerce

AF 01 C01—ADVANCED FINANCIAL ACCOUNTING—I

(2012 Admissions)

Time : Three Hours

Maximum Weight : 30

Section A

*Answer any five out of eight questions.
Each question carries a weight of 1.*

1. What do you mean by preferential creditors ?
2. What is meant by consolidation and subdivision of shares ?
3. Define amalgamation and external reconstruction.
4. Discuss the 'Doctrine of Reputed Ownership'.
5. Differentiate between purchased goodwill and non purchased goodwill.
6. What do you mean by purchase consideration ? Explain the 'Net Payment Method'.
7. What do you mean by dissenting shareholders ?
8. Write a note on Capital Reduction Account.

(5 × 1 = 5)

Section B

*Answer any five out of eight questions.
Each question carries a weight of 2.*

9. Explain the difference between a statement of affairs and a balance sheet.
10. Explain the need for valuation of shares arises.
11. How do you treat the inter company unrealized profit in amalgamation ?
12. What is purchase consideration ? Explain the various methods of calculating purchase consideration.
13. The following scheme of reconstruction has been approved for B Ltd. :—
 - (a) The shareholders to receive in lieu of their present holding of 50,000 shares of Rs. 10 each, the following :
 - (i) Fully paid equity shares equal to $\frac{2}{5}$ th of their holding ;

Turn over

- (ii) 10 % Preference shares, fully paid, to the extent of $\frac{1}{5}$ th of the above new equity shares ; and
- (iii) Rs. 60,000, 14 % Second Debentures.
- (b) An issue of Rs. 50,000, 12 % First Debentures was made and allotted, payment for the same being received in cash forthwith.
- (c) Goodwill which stood at Rs. 1,50,000 was completely written off.
- (d) Plant and Machinery which stood at Rs. 1,00,000 was written down to Rs. 75,000.
- (e) Freehold and Leasehold Premises which stood at Rs. 1,75,000 were written down to Rs. 1,50,000.

Give journal entries in the books of the company necessitated by the above reconstruction.

14. X Ltd. has 10,000 Equity shares of Rs. 10 each, Rs. 8 paid and 1,00,000, 6 % Preference shares of Rs. 10 each fully paid. The company has a practice of transferring 20 % p.f. profit to General Reserve every year. If the expected profit (based on past years performance) before tax is Rs. 2,00,000 and the rate of tax is 50% You are required to calculate the value of Equity shares under yield method, it may be assumed that normal rate of dividend is 20 %.
15. Ascertain the value of goodwill of P Ltd. carrying on business as Retail traders, from the following information :—

Balance Sheet as on 31/12/1998

	Rs.		Rs.
Paid up Capital :		Goodwill	25,000
2500 share of Rs. 100 each	2,50,000	Land and Buildings at cost	1,10,000
Profit and Loss Account	56,650	Plant and Machinery less	
Bank O.D.	58,350	depreciation	1,00,000
Sundry Creditors	90,500	Stock at cost	1,50,000
Provision for taxation	19,500	Book debts less Prov. for	
		doubtful debts	90,000
	4,75,000		4,75,000

The Company commenced operations in 1994 with a paid up capital as aforesaid with Rs. 2,50,000. The profit earned before providing for taxation having been as :

1994	...	61,000	1997	...	78,000
1995	...	64,000	1998	...	85,000
1996	...	71,500			

You may assume that income tax @ 50 % have been payable on these profits. The Average dividend paid by the company for the 4 years is 10 %, which is taken as reasonable return expected on the capital invested in the business.

16. The following is the Balance Sheet of Bhart Co., Ltd., as on 31.12.2012.

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share Capital :		Goodwill	50,000
Equity share of		Building	1,50,000
Rs. 10 each	1,00,000	Plant	1,00,000
12 % Pref. Shares of		Investment in 10 % stock	
Rs. 100 each	1,00,000	(Market value Rs. 52,000	
General Reserve	60,000	Nominal value Rs. 50,000)	48,000
Profit and Loss A/C	40,000	Stock	60,000
15 % Debentures	1,00,000	Debtors	40,000
Creditors	80,000	Cash	10,000
		Preliminary Expenses	22,000
	4,80,000		4,80,000

Ascertain the value of each equity share under Fair Value Method on the basis of the information given below :

Assets are revalued as follows :

Building Rs. 3,20,000 ; Plant Rs. 1,80,000 ; Stock Rs. 45,000 and Debtors Rs. 36,000.

Average profit of the company is Rs. 1,20,000 and 12.5 % of profit is transferred to general reserve, rate of taxation being 50 %. Normal dividend expected on equity shares is 8 %. Fair return on capital employed is 10 %.

Goodwill may be valued at 3 years purchase of super profits.

(5 × 2 = 10)

Turn over

Section C

Answer any **three** out of six questions.
Each question carries a weight of 5.

17. Following is the Balance Sheet of X Ltd. as on 31st March, 2010

	Rs.		Rs.
Share capital :		Fixed Assets	4,00,000
6 % Preference shares of		Current Assets	2,48,000
Rs. 10 each fully		Preliminary expenses	10,000
paid	2,00,000	Unwritten of discount	5,000
Equity shares of Rs. 10		Profit and Loss Account	27,000
each fully paid	3,00,000		
General Reserve	5,000		
Debenture Redumption			
fund	25,000		
Investment fluctuation fund	10,000		
5 % debenture	50,000		
Depreciation fund	10,000		
Sundry Creditors	90,000		
	6,90,000		6,90,000

Current Assets include investments Rs. 50,000 market price of which is Rs. 48,000. Debtors included in current Assets are doubtful to the extent of Rs. 5,000 for which no provision has been made so far.

Stock at the end did not include a return of Rs. 1,000 though transaction was properly recorded and posted.

Debenture interest is owing for 1 year and preference dividends are in arrear for 2 years. Assuming other items are worth book value. You are required to value the shares if :

- Preference Shares have priority over the payment of capital and arrears of dividend in the event of liquidation takes place.
- Preference shares have no priority on capital and payment of dividend.
- Preference shares have priority on to the payment of capital only.
- Preference share have priority onto the payment of arrears of dividend only.

18. The balance sheets of X Ltd. and Y. Ltd. as on 31st March, 2010 were as follows :—

(Rs. in thousands)					
Liabilities	X Ltd. Rs.	Y Ltd. Rs.	Assets	X Ltd. Rs.	Y Ltd. Rs.
Share capital :			Goodwill		70
5,000 Preference Share of Rs. 100 each	500		Patents	200	
1,50,000 Equity Shares of Rs. 10 each	1500		Land and Buildings	600	
40,000 Equity Shares of Rs. 10 each		400	Plant and Machinery	1,550	
	2000	400	Motor Vehicles		40
General Reserve	800		Furniture		25
Profit and Loss Account	90	32	Investments	115	
Creditors	50	21	Stocks	350	239
			Debtors	80	62
			Cash at Bank	45	17
	2940	453		2940	453

A new company, Z Ltd. was formed to acquire the assets and liabilities of X Ltd. and Y Ltd. The terms of acquisition of business were as under :

- Z Ltd. to have an authorized capital of Rs. 35,00,000 divided into 5,000 13% preference shares of Rs. 100 each and 3,00,000 equity shares of Rs. 10 each.
- Business of X Ltd. valued at Rs. 30,00,000 settlement being Rs. 6,00,000 in cash and balance by issue of fully-paid equity shares at Rs. 12.
- Business of Y Ltd. valued at Rs. 4,80,000 to be satisfied by issue of fully-paid equity shares at Rs. 12.
- Preference shares of X Ltd. were redeemed.
- Z Ltd. made a public issue of 3,000 preference shares at par and 30,000 equity shares at Rs. 12. The issue was underwritten at the commission allowed by law and was fully subscribed. All obligations were met.
- Manu, who mooted the scheme, was allotted 4,000 equity shares (fully-paid) at Rs. 12 in consideration of his services.

Make journal entries in the books of X Ltd. and Y Ltd. (to close their books of accounts) and prepare important ledger accounts on the assumption that amalgamation is in the nature of purchase.

Turn over

19. The financial position of Hindustan Co., Limited on 31st March, 2009 is summarised:

	Rs.		Rs.
Share Capital :		Freeholds Property	34,000
Authorised, Issued and Fully		Plant	96,000
Called up :		Tools & Dies	27,300
15,000 Equity Shares	1,50,000	Investments	15,000
10,000 6 % Pref. Shares	1,00,000	Stocks	42,500
7 % Secured Debentures	60,000	Debtors	53,400
Accrued Interest thereon	4,200	R and D Expenditure	18,000
Loan (Secured)	20,000	Profit and Loss Account	98,000
Creditors	50,000		
	3,84,200		3,84,200

The Scheme of organisation detailed below is agreed and approved by Court.

- Land at book value of Rs. 6,000 and valued at Rs. 14,000 is taken over by debenture holders in part payment. The remaining property is valued at Rs. 40,000.
- The investment valued at Rs. 22,000 to be taken over by Loan Creditors, Rs. 2,000 is refunded to company.
- The Creditor for Rs. 18,000 has agreed to accept new Second Mortgage Debentures carrying interest @ 10 % p.a. in settlement of Rs. 15,500. Another creditor for Rs. 10,000 agrees to accept cash at a discount of 15%.
- The Equity shares are to be written down to Re. 1 per share and Preference shares to Rs. 8 per share.
- The cost of Scheme amounting Rs. 3,500 to be paid and written off.
- Equity shareholders to subscribe and pay for two new shares of Re. 1 each for every one share held.

The scheme of organisation detailed above is agreed and approved by the Court.

- Assets to be revalued at : Plant Rs. 59,000 ; Tools & Dies Rs. 15,000 ; Stock Rs. 30,000 ; Debtors Rs. 48,700. R & D. Expense and Profit and Loss Account to be written off.

You are required to show the Journal entries, Reorganisation A/c, Bank A/c and resultant Balance Sheet.

20. On 31st December 2010 Anil's assets and liabilities as per books amount to Rs. 60,000 and Rs. 45,000 he estimated his deficiency to be Rs. 20,000. He found subsequently that the following had not been taken into account.

- Interest on his capital of Rs. 30,000 @ 6 % for one year.
- Liability on bills discounted amounting in all to Rs. 10,000, out of which Rs. 3,000 was expected to be dishonoured.
- Salaries Rs. 1,400, wages Rs. 500 and rent to landlord for the month Rs. 150.

Prepare Anil's Statement of Affairs and Deficiency Account.

21. Balance Sheets of M Ltd. and N Ltd. are given below as at 31st March, 2010.

<i>Liabilities</i>	M Ltd. Rs.	N Ltd. Rs.	<i>Assets</i>	M Ltd. Rs.	N Ltd. Rs.
Share Capital (Rs. 10)	2,00,000	4,00,000	Sundry Assets		
Reserve and Surplus	40,000	1,00,000	(no Goodwill)	3,10,000	6,00,000
7% Debentures (Rs. 100)	1,00,000		Loan of N Ltd.	30,000	
Loan from M Ltd.		30,000	Investments :		
Other Liabilities	50,000	70,000	5,000 shares in N Ltd.	50,000	
	3,90,000	6,00,000		3,90,000	6,00,000

N Ltd. takeover M Ltd. on the following terms :

- N Ltd. will issue sufficient number of shares at Rs. 11 each and pay 50 paise in cash per share held by members of M Ltd.
- 7 % Debentures of M Ltd. are taken over by N Ltd. along with other liabilities of M Ltd.

Show journal entries and significant ledger accounts in the books of both the companies. Also draft balance sheet of N Ltd. after absorption.

Turn over

22. Roshan Lal finds himself insolvent on 31st December, 2005. His position was as follows :

	Rs.
Sundry Debtors - Good, Rs. 5,000 ; Doubtful, Rs. 30,000 (estimated to produce Rs. 25,000) ; Bad Rs. 15,000;	
1,000 shares in A Co. Ltd. (estimated to produce Rs. 15,000)	... 25,000
Shares in B Co. Ltd. (estimated to produce Rs. 75,000)	... 91,500
Loss through betting	... 2,000
Creditors on open account	... 85,600
Creditors holding a second charge on the shares of B Co. Ltd. to the extent of Rs. 25,000	... 30,000
Creditors holding a first charge on the shares of B Co. Ltd.	40,000
Bills Payable	... 4,000
Creditors for Rent, Rates, Taxes, etc. (of which Rs. 4,600 are preferential)	... 5,000
Furniture and Fixtures (estimated to produce Rs. 3,000)	... 15,000
Cash in hand and at Bank	... 550
Stock in trade (estimated to realise Rs. 30,450)	... 35,950
Bills Receivable (estimated to realise Rs. 7,000)	... 9,000

Roshan Lal started with a capital of Rs. 70,000 on 1st January, 2003 and the business resulted in a profit of Rs. 8,900 and Rs. 10,000 for the first two years respectively and in a loss of Rs. 5,000 for the third year, after allowing Rs. 3,500 as interest on capital each year. Withdrawals for the whole period amounted to Rs. 30,000.

Prepare a Statement of Affairs and Deficiency Account.

(3 × 5 = 15)

M.Com. DEGREE (C.S.S.) EXAMINATION, MARCH 2015**First Semester****Faculty of Commerce****FM 01 C03—FINANCIAL MANAGEMENT PRINCIPLES**

(2012 Admissions)

Time : Three Hours

Maximum Weight : 30

Section A

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

1. Write short notes on 'Marginal cost of capital'.
2. What is meant by time value of money ?
3. Distinguish between 'Financial structure' and 'Capital structure'.
4. What is IRR ?
5. What is the meaning of leverage ?
6. Explain the concept of 'Risk'.
7. Define cost of capital.
8. Discuss the relationship between EBIT and EPS.

(5 × 1 = 5)

Section B

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

9. Liquidity and profitability are competing goals for the finance manager. Comment.
10. Consider the following information for Strong Ltd. :

EBIT	...	Rs. 120 lakhs
PBT	...	Rs. 320 lakhs
Fixed Cost	...	Rs. 700 lakhs

Calculate the percentage of change in earnings per share, if sales increased by 5%.

Turn over

11. A firm's K_e (return available to the shareholders) is 15%, the average tax rate of shareholders is 40% and it is expected that 2% is brokerage cost that shareholders will have to pay while investing their dividends in alternatives securities. Determine the cost of retained earnings.
12. What is Financial Planning ? Explain the principles governing a sound financial plan.
13. Distinguish between operating leverage and financial leverage with appropriate illustrations.
14. What is the necessity for having 'Optimum capital structure' ?
15. Explain with example the term 'Profitability Index'.
16. Explain as to how the wealth maximisation objective is superior to profit maximisation objective.

(5 × 2 = 10)

Section C

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

17. How would you apply the cost of capital concept when projects with different risks are evaluated?
18. What are the different approaches to the calculation of cost of equity capital ?
19. Critically examine 'Net income and Net operating Income approaches' to capital structure.
20. United Industries Ltd., has an investment budget of Rs. 100 lakhs for 2012-13. It has short listed two projects A and B after completing the market and technical appraisals. The management wants to complete the financial appraisal before making the Investment. Further particulars regarding the two projects are given below :

Particulars	A	B
Investment required ...	100 lakhs	90 lakhs
Average annual cash inflow		
before depreciation ...	28 lakhs	24 lakhs
And tax estimate		

Salvage value — Nil for both projects

Estimate life-10 years for both projects.

The company follows straight line method of charging depreciation. Its tax rate is 50%. You are required to calculate (a) Pay-Back period and (b) I.R.R. of the two projects.

P.V. of an annuity of Re.1 for ten years at different discount rates is given below :

Rate %	...	10	11	12	13	14	15
Annuity value for 10 years	...	6.1446	5.8992	5.6502	5.4262	5.2161	5.0188

21. A firm has sales of Rs. 75,00,000, variable cost of Rs. 42,00,000 and fixed cost of Rs. 6,00,000. It has a debt of Rs. 45,00,000 at 9% and Equity of Rs. 55,00,000.

- (a) What is the firm's ROI ?
- (b) Does it have favourable financial leverage ?
- (c) If the firm belongs to an industry whose asset turnover is 3' does it have a high or low asset leverage ?
- (d) If the sales drop to Rs. 50,00,000, what will be the new EBIT ?

22. Calculate the level of EBIT at which the EPS indifference point between the following financing alternatives will occur.

Equity share capital of Rs. 6,00,000 and 12% Debentures of Rs. 4,00,000.

Or

Equity share capital of Rs. 4,00,000. Preference share capital of Rs. 2,00,000 and 12% Debentures of Rs. 4,00,000. Preference dividend 14%.

Assume the corporate tax rate is 35% and par value of equity share is Rs. 10 in each case.

(3 × 5 = 15)

G 2086

(Pages : 2)

Reg. No.....

Name.....

M.Com. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2015

First Semester

Faculty of Commerce

PM 01 C02—PRINCIPLES OF MANAGEMENT AND ORGANISATIONAL BEHAVIOUR

(2012 Admissions)

Time : Three Hours

Maximum : 30 Weight

Section A

I. Answer any *five* questions. Each question carries 1 weight, answer each question not exceeding *one page* :

- 1 What is MBO ?
- 2 What do you mean by conflict ?
- 3 Explain TA.
- 4 What do you mean by organizational diagnosis ?
- 5 Explain the concept of Six Sigma.
- 6 Define OB.
- 7 What is Synergy ?
- 8 Explain Group Decision-Making.

(5 × 1 = 5)

Section B

II. Answer any *five* questions. Each question carries 2 weight, answer each question not exceeding *two pages* :

- 9 "Change for the sake of change is no change at all". Comment on this statement.
- 10 What do you understand by OD Techniques ? Discuss the major OD Techniques.
- 11 Explain the major contributions of F.W. Taylor.
- 12 Explain the essential features, uses and limitations of Human Behaviour School of Management Thought.
- 13 "Planning is looking ahead, and controlling is looking back". Discuss.
- 14 Explain in detail the determinants of organizational structure. Give examples.
- 15 What are change barriers ? How leaders overcome them ?
- 16 Explain the advantages and disadvantages of Committees.

(5 × 2 = 10)

Turn over

Section C

III. Answer any *three* questions. Each question carries 5 weight, answer each question not exceeding *five pages* :

- 17 What is Kaizen ? What is the trend in management regarding this tool ?
- 18 Explain in detail the reasons for group formation ? Which of these reasons are more influential ? Why ?
- 19 What do you understand by forecasting ? Discuss the main techniques of forecasting.
- 20 What is CSR ? Give your arguments for and against corporate social Responsibility.
- 21 Explain MDP. What are steps in MDP ?
- 22 What are organizational conflicts ? What is management of conflicts ?

(3 × 5 = 15 marks)

M.Com. DEGREE (C.S.S.) EXAMINATION, MARCH 2015**First Semester****Faculty of Commerce****QT 01 C05—QUANTITATIVE TECHNIQUES****(2012 Admissions)****Time : Three Hours****Maximum Weight : 30****Section A**

*Answer any five questions.
Each answer not to exceed a page.
Each question carries 1 weight.*

1. Write down the probability density function of normal distribution.
2. Distinguish between sampling and non sampling errors.
3. Define Type I and Type II errors.
4. Explain Latin square design.
5. What is R chart ?
6. What are the important non parametric tests ?
7. Give three applications of Student's t statistic.
8. What are the limitations of Quantitative Techniques ?

(5 × 1 = 5)**Section B**

*Answer any five questions.
Each answer not to exceed two pages.
Each question carries 2 weight.*

9. Define standard normal distribution and explain how will you calculate the probability based on area under normal curve.
10. Briefly explain the different steps involved in testing of hypothesis. Also define the term power of the test.

Turn over

11. In an experiment of breeding pea plants Mendel obtained the following results. :—
 $RY = 315$, $WY = 101$, $RG = 108$, $WG = 32$. Theory predicts that the frequencies should be in the ratio $9 : 3 : 3 : 1$. Examine the agreement between theory and observation.
12. During the examination of equal length of cloth the following are the number of defects observed.
 3, 5, 4, 1, 6, 5, 6, 4, 2, 1. Draw a control chart for the number of defects and comment whether the process is under control or not.
13. Explain the use of quantitative Techniques in business and management.
14. In a Normal distribution 31 % of the items are under 45 and 8 % are over 64. Find the mean and standard deviation of the distribution.
15. The following data relate to additional hours of sleep gained by five patients with a certain drug
 0.8, -1, -0.1, 1.3, 2.1. Test the claim that the drug produces additional sleep.
16. Explain Kruskal Wallis H test and state its importance.

(5 × 2 = 10)

Section C

*Answer any three questions.
 Each answer not to exceed five pages.
 Each question carries 5 weight.*

17. Apply suitable test to examine whether the following figures provide the evidence of the effectiveness of inoculation :

	Attacked	Not attacked
Inoculated	20	300
Not inoculated	80	360

18. Three varieties of crops was grown on four plots of land and the following yield was obtained. Prepare an analysis of variance table and find out whether there is significant difference between the three crops.

Crops		Yield		
A	15	10	16	11
B	16	14	12	14
C	12	18	20	10

19. Explain the techniques of statistical quality control.
20. An IQ test was administered to 5 persons before and after they were trained. The results were as follows.

21. For a sample of 100 labourers from Kerala, the average daily wages is Rs. 200 with a standard deviation of 15. For a sample of 150 laborers from Tamil Nadu the corresponding figures are Rs. 8 and Rs. 10 respectively. Can you conclude that the average wages of workers in Kerala are more than that of workers in Tamil Nadu.
22. The probability of survival in case of a particular disease is found to be 0.8. One hundred people are attacked by the disease in a particular area. If X denotes the number of survivals and also assuming that X follows Binomial distribution with $n = 100$ and $p = 0.8$. Find the upper bound for the probability that the survivals will be either less than 68 or greater than 92.

(5 × 3 = 15)