

**St Aloysius College (Autonomous)**  
**Mangaluru**  
**Semester III - P.G. Examination - M.Com.**  
**November - 2024**  
**EQUITY RESEARCH AND SECURITY MARKET OPERATION**

Time : 3 Hours

Max. Marks : 70

**SECTION-A****Answer any FIVE of the following:****(5x4=20)**

1. How do time deposits differ from demand deposits?
2. Summarise the principal tasks of an Equity Research Analyst.
3. What are the risks associated with investment and speculation?
4. What is technical analysis?
5. Give an overview of forecasting techniques and their significance.
6. Explain the role of a stock exchange in facilitating the trading of securities.
7. What is screen-based trading? How is it different from floor trading?

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**SECTION-B****Answer any FOUR of the following:****(4x10=40)**

8. Assess the suitability of value or growth investing strategies for specific investor profiles and financial goals.
9. "Fundamental analysis provides an analytical framework for rational investment decision-making". Explain.
10. Explain the purpose of company analysis and how it differs from industry analysis.
11. What factors should the analyst examine to assess whether a firm's competitive strategy has the potential to create value?
12. What are price charts? Describe the different types of price charts used by technical analysts.
13. Consider the data for a sample of 5 shares for 2 years, the base year and year t:

Share	Price in base year (₹)	Price in year t (₹)	No of outstanding shares (in millions)
M	12	16	10
N	18	15	5
O	35	60	6
P	20	30	40
Q	15	6	30

Compute the price weighted index, equal weighted index and value weighted index for the year t.

**SECTION-C****(Compulsory)****(1x10=10)**

14. The following data has been extracted from the popular index:

Day	Value of index
1/03/2024	18100
2/03/2024	18200
3/03/2024	18350
4/03/2024	18100
5/03/2024	18850

The hundred day simple moving average on 28/02/2024 is 18000. You are required to calculate the hundred-day exponential moving average starting from 1/03/2024. (The value of exponent for the hundred days may be taken as 0.02).

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**Semester III – P.G. Examination - M.Com.  
November - 2024**

**MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING**

Time: 3 hrs.

**SECTION - A**

Max Marks: 70  
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Answer any **FIVE** of the following

1. What are mergers and acquisitions, explain the key differences between a merger and acquisition in the business world.
2. Analyse the drivers of synergy.
3. Provide an in-depth analysis of ESOPs and their benefits.
4. Analyze the potential benefits of entering into a Joint Venture.
5. Examine divestitures as a form of restructuring.
6. What are the various modes of executing a takeover?
7. How does the Competition Act of 2002 impact mergers, and what are its key provisions in this regard?

**SECTION - B**Answer any **FOUR** of the following**(4×10=40)**

8. Analyze the statement, "Mergers and Acquisitions do not always generate value."
9. Excellent Ltd., acquiring company, is interested in the acquisition of Pathetic Ltd., Target Company. The management of Excellent Ltd. wants you to compute the maximum price it should be willing to pay to acquire Pathetic Ltd., as per adjusted present value approach. For the purpose, you have been provided with the following data:
  - i) As a result of acquisition, it is expected that the FCFF of Excellent Ltd., are likely to increase as follows for 6 years

Year-end	1	2	3	4	5	6
₹ in lakh	120	150	200	220	140	100

- ii) The FCFF of Pathetic Ltd., are expected to be constant after 6 years.
- iii) Unlevered cost of equity is 15%.
- iv) 10% debt (to the extent of ₹ 120 lakh) will finance part of acquisition cost. Debt will be reduced to ₹ 70 lakh at the end of year 6 by repaying ₹10 lakh at the end of each year, commencing from year 1. Debt level is expected to remain at that level thereafter.
- v) Corporate tax rate is 35%.
- vi) Advantage of debt is to be valued at cost of debt.
- vii) Bankruptcy costs are assumed to be Zero.

10. Firm Alpha plans to acquire firm 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	450000	225000
Market value	₹22500000	4500000

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Alpha limited is planning to offer two settlement plans:

1. Paying ₹35 Lakh in one lumpsum
2. Alpha Ltd offered to the shareholders 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.

11. Provide a comprehensive overview of the types of LBOs.
12. Describe the purpose and effects of employing the Crown Jewel defense tactic in mergers and acquisitions.
13. Explain the role and relevance of Ind AS 103 in financial accounting and reporting.

**SECTION – C (Compulsory)**

**(1×10=10)**

14. Company X wishes to takeover Company Y. The financial details of two companies are as under.

Particulars	₹	₹
Equity shares (₹ 10 per share)	1,00,000	50,000
Share premium Account	-	2,000
Profit and loss account	38,000	4,000
Preference shares	20,000	-
10% debentures	15,000	5,000
Fixed assets	1,22,000	35,000
Net current assets	51,000	26,000
Maintainable annual profit after tax for equity shareholders	24,000	15,000
Market price per equity share	24	27
Price earnings ratio	10	09

What offer do you think Company X could make to Company Y in terms of exchange ratio based on

1. Net Asset Method.
2. Earnings per share.
3. Market price per share.

Which method would you prefer from Company X's point of view?

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**Semester III – P.G. Examination - M.Com.**  
**November - 2024**  
**INVESTMENT BANKING AND FINANCIAL SERVICES**

Time : 3 Hours

Max. Marks : 70

**SECTION-A****ST.ALOYSIUS COLLEGE**Answer any **FIVE** of the following:PG Library  
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1. Explain the significance of credit ratings for bond investors.
2. Describe different types of investors participate in an public issue.
3. Provide insight into what a Green Shoe Option entails.
4. Differentiate between merchant banker and investment banker.
5. Discuss the relationship between the high risk and high return potential in private equity investments.
6. List the functions of depositories.
7. Identify the contents of leasing agreement.

**SECTION-B**Answer any **FOUR** of the following:**(4x10=40)**

8. Explain the business portfolio of investment banking.
9. Evaluate the process of investment under Private Equity.
10. Explain different forms of underwriting.
11. What is forfeiting? Explain the mechanism of forfeiting.
12. Define an IPO. Describe in detail the important aspects of the pre-issue and post-issue activities in an IPO.
13. Examine the rating methodologies adopted by Credit Rating Agencies.

**SECTION-C (Compulsory)****(1x10=10)**

14. Hypothetical Limited is contemplating having an access to a machine for a period of 5 years. Discussions with various financial institutions have shown that the company can have the use of machine for the stipulated period through leasing arrangement, or the requisite amount can be borrowed at 14 per cent to buy the machine. The firm is in the 50 per cent tax bracket. In case of leasing, the firm would be required to pay an annual end-of-year rent of ₹ 1,20,000 for 5 years. All maintenance, insurance and other costs are to be borne by the lessee. In the case of purchase of the machine costs ₹3,43,300. The firm would have a 14 per cent, 5-year loan, to be paid in 5 equal instalments, each instalment becoming due at the end of each year. The machine would be depreciated on a straight-line basis for tax purposes, with no salvage value. Investigate whether the company should buy the asset or lease it for the period of 5 years.

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**Semester III – P.G. Examination – M.Com.**

**November – 2024**

**CORPORATE TAX PLANNING**

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**Max Marks: 70**

**Time: 3 hrs.**

**SECTION - A**

**(4×5=20)**

**Answer any FIVE of the following**

- Domestic company submits the following particulars of its income of the previous year ended March 31st 2024:
 

1. Profit of business after deduction of donations to approved Charitable institution	4,00,000
2. Donation to charitable institution by cheque	50,000
3. Interest on government securities	20,000
4. Dividend from a domestic company[Gross]	60,000
5. Long term capital gain	1,00,000
6. Book profit under section 115JB	10,00,000

During the financial year 2023-24 the company deposited ₹ 50,000 in Industrial Development Bank of India. The company distributed a dividend of ₹ 1 lakh on 6.9.2024. Compute the taxable income and tax payable by the company.
- What is tax avoidance? How is it different from tax planning?
- Mr. Ravi is an employee of a Company in Delhi (population exceeding 25 lakh). He would receive the following during the financial year 2023-24:
  - Salary: ₹11,20,000
  - Dearness Allowance: ₹3,50,000
  - Bonus: ₹1,20,000
  - Children Education Allowance: ₹250 per month for one child
  - Rent-free House – FRV: ₹2,50,000
  - Annual contribution to Provident Fund: ₹1,25,000
  - Life Insurance Premium: ₹18,000
  - Donation to Prime Minister's National Relief Fund: ₹15,000 by cheque

Compute his Income from salary liable to deduction of tax at source and the amount of tax to be deducted.
- A started a unit in 2015. The balance sheet of the unit in 31.03.2023 is as under.

Liabilities	₹	Assets	₹
Creditors	2,50,000	Debtors	2,00,000
Bills Payable	1,50,000	Stock	2,50,000
Revaluation Reserve	6,00,000	Bills Receivables	50,000
Capital	13,00,000	Plant and Machinery (W.D.V)	3,00,000
		Building (W.D.V)	5,00,000
		Land (Purchased on 1.6.2015)	10,00,000
	23,00,000		23,00,000

**Other Information**

- Land was revalued in 2018 and the amount was credited to Revaluation Reserve Account.
- Sold the unit on 1.1.2024 for the lump sum consideration on ₹20,00,000
- The expenses of transfer are ₹1,00,000.

Compute capital gains on slump sale.

**Contd...2**

## PS 314.3

5. What is Double Taxation avoidance agreement?
6. Mr. A, a Resident of India, discloses the subsequent income details for the Assessment Year 2024-25
- Interest income from fixed deposits: ₹ 28,000
  - Rental income from commercial property: ₹ 70,000
  - Net profit from an export business: ₹ 5,20,000
  - Income from a foreign country with no tax agreement: ₹ 1,75,000
  - Income tax paid on foreign income: ₹ 25,000
- Compute the total taxable income and the income tax payable in India for Mr. A.
7. What is Tax Collected at Source (TCS) and how does it differ from Tax Deducted at Source (TDS)?

## SECTION - B

Answer any **FOUR** of the following

(10×4=40)

8. Calculate the amount of depreciation allowance for the Assessment Year 2024-25 from the particulars of a Steel Factory

Assets	WDV as on 1.4.2023	Depreciation
Buildings	15,00,000	40%
Machinery	35,00,000	15%
Motor vehicle	2,00,000	30%
Furniture	25,000	10%

The factory purchased and installed old machinery on 31<sup>st</sup> October 2023 at a cost of ₹ 5,00,000 of the same rate of depreciation. One Motor vehicle (whose WDV on 1.4.2023 was ₹ 1,00,000) was completely destroyed by fire on 1.9.2023 and ₹ 60,000 was received from the insurance company in respect thereof.

9. i. What is Tonnage Taxation? Briefly explain the tax provisions related to tonnage taxation
- ii. From the following information, compute the tax payable by a tonnage tax company for the Assessment Year 2024-25.
- a. The company has two qualifying ships. The net tonnage of ship I is 27,900 ton 400 Kg and ship II 17,750 ton 500 Kg.
- b. Ship I runs for 316 days during the previous year and ship II for 175 days during the previous year.
- Turnover of core activities ₹ 10 crore.  
Profit from Incidental activities 5.5 lakhs
10. From the following information determine whether the assessee should purchase an asset or take on lease.
- i) Cost of the Asset ₹10,00,000
- ii) Rate of depreciation 15%
- iii) Rate of interest 10%
- iv) Repayment of loan by the assessee ₹ 2,00,000 p.a.
- v) Rate of tax 30%
- vi) Residual value ₹ 2,00,000 after 5 years
- viii) Lease rent ₹ 3,00,000 p.a.
- Present Value factor at 10

Years	1	2	3	4	5
PV @ 10%	0.909	0.826	0.751	0.683	0.621

Contd...3

11. i) State the conditions related to claiming unilateral relief in India  
 ii) Ms Neha, a resident individual, has the following income for the previous year relevant to the Assessment Year 2024-25:

- Income from business in India: ₹7,50,000
- Income from business in a foreign country: ₹3,00,000
- Tax paid in the foreign country: ₹60,000
- Income from other sources in India: ₹80,000

She wants to understand if she is eligible for any double taxation relief and, if so, how much relief she can claim. India does not have any double taxation avoidance agreement with that foreign country.

12. Which specific industries or businesses qualify for benefits under Section 80IA?  
 13. Who is eligible to claim deductions under Section 10AA?

**SECTION – C (Compulsory)**

**(1×10=10)**

14. Amit Limited a domestic company provides you following statement of profit and loss for computation of Tax Liability for the A.Y 2024-25

Items Debited net profit	₹	Items Credited	₹
Opening stock	40,000	Sales	5,75,00,000
Purchases	4,21,35,000	Closing Stock	1,00,000
wages	1,08,10,000	Dividend from Indian Company	5,000
salaries	5,00,000	Bad Debt Recovered	2,000
General Expenses	5,00,000		
M.D Remuneration	5,00,000		
Directors Sitting Fees	50,000		
Income Tax	3,00,000		
Excise Penalty	1,00,000		
Provision for losses of Subsidiary	3,00,000		
Proposed Dividend	4,00,000		
Depreciation	1,50,000		
Excise Duty	85,000		
Net Profit B/F	17,27,000		

**Additional Information**

- a) General expenses include :
- i) Diwali poojan expenses 10,000.
  - ii) Donation to Mata Vaishno Devi Shrine Board approved under section 80G ₹ 20,000.
  - iii) Sales expenses by way of 100 gift pack to dealers involving on expenditure of ₹ 50,000.
- b) Both opening and closing stocks have been under valued by 20%.
- c) Excise duty related to previous year 2022 - 23 ₹ 10000 paid during the year included in statement of Profit and Loss.
- d) Bad Debt recovered during the year relates to previous year 22-23 and were claimed as deduction in the same period.
- e) B/F Business losses and Depreciation
- |                         | As per Books | For tax purposes |
|-------------------------|--------------|------------------|
| B/F Business losses     | 1,50,000     | 3,00,000         |
| Unabsorbed Depreciation | 1,00,000     | 2,00,000         |
- Calculate
- i) Total income tax and Tax liability as per normal provision of Income Tax Act for assessment year 2024-2025
  - ii) Book profits and tax liabilities under 115JB
  - iii) Ultimate tax liability for the Company.

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**CONTEMPORARY ISSUES IN ACCOUNTING**

Time : 3 Hours

Max. Marks : 70

**SECTION - A****Answer any FIVE of the following:****(5x4=20)**

1. Name some factors that can affect a company's SVA.
2. Explain window dressing practices in India.
3. Why is it important to identify and eliminate non-value-added activities in a production process?
4. Identify and discuss the key challenges and obstacles that arise during the process of accounting convergence.
5. Define the concept and purpose of forensic accounting.
6. What is a value-added statement in financial reporting?
7. Explain the concept of Human Resource Accounting.

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**SECTION-B****Answer any FOUR of the following:****(4x10=40)**

8. How do the principles of Indian GAAP and IFRS differ? Explain.
9. State some of the key environmental performance indicators (EPIs) used in environmental accounting.
10. Explain the key components of the scope of international accounting and how they impact multinational corporations.
11. "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.
12. Analyze the methods and models used in human resource accounting. What are the key variables and assumptions that influence the valuation of human capital.
13. Suppose that the annual wages and salary for the next five years are ₹ 6 lakhs, ₹ 7 lakhs, ₹ 8 lakhs, ₹ 9 lakhs and ₹ 10 lakhs respectively. The appropriate discount rate is 15%. The accounting rate of return for the firm for the current year and preceding four years is 35,25,20,28 and 15 respectively and the rate of return for all the firms in the economy for the corresponding period is 30,20,15,18,10 respectively. Calculate the value of human resources according to Hermanson's adjusted discount future wages model.

**SECTION-C (Compulsory)****(1x10=10)**

14. LG and Co. provides you with the following details as at 31.03.2024.

(₹ In lakhs)		(₹ In lakhs)	
Liabilities	Amount	Assets	Amount
Share Capital	1,000	Fixed assets(net)	3,000
Reserves and surplus	2,000	Investments	150
Long term debt	200	Current assets	100
Sundry creditors	50		
Total	3,250	Total	3,250

Additional information provided is as follows:

1. Profit before interest and tax is ₹1,000(₹ in lakhs)
2. Interest : ₹ 20 lakhs
3. Tax : 35.875%
4. Risk free rate: 10%
5. Market rate: 15%
6. Beta factor: 1.4

Compute Economic value Added.

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