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St Aloysius College (Autonomous)
Mangaluru
Semester IV – P.G. Examination – M.Com.
April – 2025

INTERNATIONAL FINANCIAL MANAGEMENT

Time: 3 hrs.

Max Marks: 70

SECTION - AAnswer any **FIVE** of the following

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(5×4=20)

1. Define international liquidity.
2. How does capital account convertibility impact foreign investment inflows and outflows?
3. Bring out the importance of a forward foreign exchange market.
4. Explain the effect of change in interest rates on exchange rates.
5. Define currency exposure and list its main types.
6. Differentiate between centralized and decentralized cash management.
7. In what ways does the Euro-Currency Market operate differently from domestic banking systems?

SECTION - BAnswer any **FOUR** of the following

(4×10=40)

8. Identify and discuss the major challenges faced by businesses in International Finance, including foreign exchange risk, political risk, and regulatory differences.
9. Explain the structure, objectives, and governance of the International Monetary Fund (IMF).
10. A series of transactions between united states and the rest of the world are given below:
 - a. An American company exports goods to a French company for \$ 40,000. The French company signs a bill of exchange for its imports.
 - b. An American chemical company decides to build a chemical plant in Brazil. The company ships \$ 80,000 worth of materials to Brazil.
 - c. An Indian American ships \$ 10,000 worth of goods to his relatives in India.
 - d. An American company imports \$ 10,000 worth of goods from China.
 - e. An American citizen buys British Government bonds for \$ 50,000 in cash. -Prepare the balance of payment for the United States.
11. Examine the strategies for managing economic exposure.
12. Critically examine the purchasing power parity theory.
13. Analyze the characteristics and formats of project finance.

SECTION – C (Compulsory)

(1×10=10)

14. Spot rate = ₹ 84.0030/\$; 6 months forward rate = ₹ 85.0010/\$
 Rupee interest rate = 12%
 Dollar interest rate = 7%
 Given the above data, is there an arbitrage possibility? If yes, show the gain and assume a loan of \$ 100,000 or its equivalent in Indian rupees at the current spot rate.

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Semester IV – P.G. Examination - M.Com.

April - 2025

DERIVATIVES AND RISK MANAGEMENT

Time: 3 hrs.

Max Marks: 70

SECTION - A

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(5×4=20)

Answer any **FIVE** of the following

1. Explain the specifications of a future contract.
2. How does credit risk differ from market risk or operational risk?
3. Calculate the price of a forward contract using the following data:
Price of the share ₹ 75; time to expiration is 9 months; dividend expected ₹ 2.20 per share; time to dividend is 4 months; continuously compounded risk free rate of return is 12% per annum.
4. What do you understand by a forward contract? Explain the advantages of futures contract over forward contract.
5. Mr P decides to create a bull spread by way of buying a February call option on a stock, with an exercise price of ₹ 100 for ₹ 5 and selling a call option on it involving an exercise price of ₹ 110 for ₹ 2. Find out how much profit/ loss be made in each of the following conditions:
 - i. On settlement day, the price of the underlying stock is ₹ 95 per share.
 - ii. On settlement day, the price of the underlying stock is ₹ 106 per share.
6. Distinguish between American option and European option.
7. Explain the various types of swap agreements and their respective features.

SECTION - B

Answer any **FOUR** of the following

(4×10=40)

8. Briefly explain the various Derivative products.
9. Explain the Risk Management Methods.
10. A BHEL futures contract has a contract size of 375 and on September 1, BHEL shares are selling at ₹ 2330. You own 750 shares of BHEL, October BHEL futures with expiry on October 29 are selling at ₹ 2352. Assume that the spot price of BHEL shares on October 29 is ₹ 2300. You plan to hedge your holding in BHEL shares.
 - i) What type of hedging is appropriate?
 - ii) Explain how would you hedge?
 - iii) What would be the result of your hedge, that is, what is the effective price at which you would sell the shares?
11. Infosys stock is selling at ₹ 1,130 on September 1st. There exists a put option on Infosys with an expiry on October 29 and exercise price of ₹ 1,150. It is estimated that by October 29, the Infosys price could either increase by 6 percent or decrease by 4 percent. If the risk free rate is 8 percent, calculate the price of the put by using the Binomial option pricing model.

12. 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, ₹240, ₹245, ₹255, ₹ 260, ₹ 265 and ₹270.

13. Company A and B requires funds in 2 different currencies i.e., company A requires British pound and B requires Japanese yen. Company A has been charged with 12% interest in British pound market and 8 % in Japanese market. Similarly Co. B is charged with 10% in British pound market and 9.5% in Japan. A bank has decided to act as a swap facilitator for a commission of 50 bps. Design a swap where both the firms should enjoy equal benefits.

SECTION – C (Compulsory)

(1×10=10)

14. Mr Rajesh has taken a short position in five copper futures contract at an exercise price of ₹625 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)	630.50	627.70	638.20	635.10	640.75

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

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Semester IV – P.G. Examination - M.Com.
April - 2025

COST AND MANAGEMENT ACCOUNTING

Time: 3 hrs.

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Max Marks: 70

SECTION - A

Answer any **FIVE** of the following

(5×4=20)

- What are the essentials of good cost accounting system.
- In Process B 75 units of the commodity were transferred from Process A at a cost of ₹ 1310. The additional expenditure incurred by the process were ₹ 190. 20% of units entered are normally lost and are sold at ₹ 4 per unit. The output of the process was 70units. Prepare Process B account and abnormal gain account.
- Write a note on the following
 - Labour Mix Variance
 - Labour Yield Variance.
- What is CVP Analysis? How does it help the managers in decision making?
- What is a Balanced Scorecard (BSC) and what is its primary purpose in strategic management?
- Distinguish between Volume based product costing system and activity based costing system.
- From the data given below, calculate the Material Cost Variance and Material Usage Variance. Consumption per 100 units of product:

Raw material	Standard	Actual
A	40 units @₹ 50 per unit	50 units @₹ 50 per unit
B	60 units @₹ 40 per unit	60 units @₹ 45 per unit

SECTION - B

Answer any **FOUR** of the following

(4×10=40)

- Explain the different pricing techniques.
- A certain product passes through three processes before it is completed. The output of each process is charged to the next process at a price calculated to give a profit of 20% on transfer price (i.e. 25% on cost price). The output of Process III is charged to finished stock account on a similar basis. There was no work-in-progress at the beginning of the year and overheads have been ignored. Stock in each process has been valued at prime cost of the process. The following data are obtained at the end of 31st March, 2001.

	Process I (₹)	Process II (₹)	Process III (₹)	Finished Stock (₹)
Direct material	4,000	6,000	2,000	-
Direct wages	6,000	4,000	8,000	-
Stock on 31st March	2,000	4,000	6,000	3,000
Sale during the year	-	-	-	36,000

From the above information prepare

- (a) process cost accounts showing the profit element at each stage;
 - (b) actual realised profits; and
 - (c) stock valuation as would appear in the balance sheet.
10. How does Unit Costing help in pricing decisions and profitability analysis?
11. S. Chand & Co., a leading publisher, publishes two versions of a text book. One is paperback and the other is hardbound. Management is considering publishing only the higher quality book. The firm assigns its ₹ 5,00,000 of overhead to the two types of books. The overhead is composed of ₹ 2,00,000 of utilities and ₹ 3,00,000 of quality control inspectors' salaries. Some additional data follow:

	Paperback	Hard Bound
Revenues	₹ 16,00,000	₹ 14,00,000
Direct costs	₹ 12,50,000	₹ 6,00,000
Production (units)	5,00,000	3,50,000
Machine Hours	42,500	7,500
Inspections	2,500	12,500

Required:

- a) Compute the overhead cost that should be allocated to each type of text book using cost drivers appropriate for each type of overhead cost.
 - b) The firm has used machine hours to allocate overhead in the past. Should the publisher stop producing the paperback books? Explain why management was considering this action and what its decision should be.
12. A Ltd has been offered a choice to buy a machine between M_1 and M_2 . The following data are provided.

	M_1	M_2
Annual output in units	10,000	10,000
Fixed cost	₹ 60,000	₹ 32,000
Profit at above level	₹ 60,000	₹ 48,000

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The market price of the product is expected to be ₹ 20 per unit.

You are required to compute:

- i) Break even point of each machine
 - ii) The level of sales at which both the machines earn equal profits.
 - iii) The range of sales at which one is more profitable from the other.
13. Compare and contrast Standard Costing with Activity-Based Costing (ABC).

SECTION – C (Compulsory)

(1×10=10)

14. SV Ltd manufactures BXE by mixing three raw materials. For every batch of 100 kgs of BXE, 125 kgs of raw materials are used. In February 2022, 60 batches were prepared to produce an output of 5600 kgs of BXE. The standard and actual particulars for February 2022 are as under:

Raw Material	Mix %	Standard Price per kg (₹)	Mix %	Actual Price per kg (₹)	Quantity of Raw Materials Purchased (kg)
A	50	20	60	21	5000
B	30	10	20	8	2000
C	20	5	20	6	1200

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Semester IV – P.G. Examination - M.Com.

April - 2025

PORTFOLIO THEORY AND MANAGEMENT

Time: 3 hrs.

Max Marks: 70

SECTION - A

Answer any **FIVE** of the following

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(5×4=20)

1. Define the Sharpe's Single Index Model.
2. Write a note on capital market line.
3. List the assumptions of capital asset pricing model.
4. List the different phases in portfolio management.
5. Write a note on Financial risk.
6. What is differential return?
7. What is Personal Financial Planning?

SECTION - B

Answer any **FOUR** of the following

(4×10=40)

8. A company paid dividends amounting to ₹ 0.75 per share during the last year. The company is expected to pay ₹ 2 per share during the next year. Investors forecast a dividend of ₹ 3 per share in the year after that. Thereafter, it is expected that dividends will grow at 10% per year into an indefinite future. Would you buy/sell the share if the current price of the share is ₹54? Investor's required rate of return is 15%.
9. The variance-covariance matrix for three securities is given below:

Security	P	Q	R
P	108	-56	94
Q	-56	214	137
R	94	137	180

Calculate the standard deviation of a portfolio constructed with these three securities, the proportion of investment in each being P(0.20) Q(0.50) R(0.30).

10. 'Benjamin Graham was a quantitative navigator. Discuss.
11. The following data are available to you as a portfolio manager:

Security	Estimated Return (%)	Beta	Standard Deviation (%)
A	35	1.60	50
B	28	1.40	40
C	21	1.10	30
D	18	0.90	25
E	15	0.75	20
F	12	0.60	18

The risk free rate of return is 8%. The market return is expected to be 20%. Determine which of the above securities are overpriced and which are underpriced.

12. Consider a portfolio of six securities with the following characteristics:

Security	Weight	α_i	β_i	Residual Variance ($\sigma_{\epsilon_i}^2$)
1	0.10	-0.28	0.91	23
2	0.15	0.76	0.87	60
3	0.20	2.52	1.17	52
4	0.10	-0.16	0.97	86
5	0.25	1.55	1.07	67
6	0.20	0.47	0.86	82

Assuming the return on market index to be 14.5% and the standard deviation of return on market index to be 16%, calculate the portfolio return and risk under single index model.

13. Explain the weak form of the efficient market hypothesis. Describe the empirical tests used for testing the weak form efficiency.

SECTION – C (Compulsory)

(1×10=10)

14. A portfolio consists of four securities, 1, 2, 3 and 4. The proportions of these securities are : $w_1 = 0.2$, $w_2 = 0.3$, $w_3 = 0.4$ and $w_4 = 0.1$. The standard deviation on these securities (in percentage terms) are $\sigma_1 = 4$, $\sigma_2 = 8$, $\sigma_3 = 20$ and $\sigma_4 = 10$. The correlation coefficients among security returns are : $\rho_{12} = 0.3$, $\rho_{13} = 0.5$, $\rho_{14} = 0.2$, $\rho_{23} = 0.6$, $\rho_{24} = 0.8$, and $\rho_{34} = 0.4$. What is the standard deviation of portfolio return?

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St Aloysius College (Autonomous)**Mangaluru****Semester IV – P.G. Examination - M.Com.****April - 2025****COMPUTER APPLICATIONS IN BUSINESS**

Time: 3 hrs.

Max Marks: 70

SECTION - AAnswer any **FIVE** of the following

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(5×4=20)

1. Describe Internet and its main services.
2. What are the potential dangers of conducting business online?
3. How does Tally software work, and what are its diverse applications?
4. What are the notable aspects of the Information Technology Act 2000?
5. What are the different variations of cell references in excel?
6. How do you navigate Tally to generate final accounts?
7. What are the key strategies individuals can employ to protect themselves from E-Commerce-related risks?

SECTION - BAnswer any **FOUR** of the following

(4×10=40)

8. What protocol is universally recognized as the standard for internet communication?
9. Provide an overview of the statistical and financial functions available in MS Excel
10. Explain the process of opening a company in tally
11. detail the sequential steps for generating different types of vouchers in Tally
12. What are the different E Payment Systems?
13. What are the various E-Commerce models available for businesses?

SECTION – C (Compulsory)

(1×10=10)

14. Explain how internet and security, Ms excel, Tally and E- commerce enhances efficiency and decisions making in modern business.
