

2070 – IIIS MBA (N) – OE – M – 22



THIRD SEMESTER M.B.A. (NEW) (CBCS) DEGREE
EXAMINATION, MARCH 2022

MANAGEMENT

Paper – C4 : Introduction to Entrepreneurship (OEC)

Time : 3 Hours]

[Max. Marks : 50

- Instructions :** i) *All questions are compulsory.*
ii) *Read instructions given at each Section.*
iii) *Relevant illustrations must be given wherever required.*

SECTION – A

(10×1=10)

1. Answer **any ten** out of twelve of the following sub-questions. **Each** question carries **one** mark.

- What are cultural barriers ?
- Define Entrepreneurial Leadership.
- Mention one characteristic of intrapreneur.
- Give an example of proprietorship type of organisation.
- Who are Drone Entrepreneurs ?
- Define entrepreneurial competencies.
- What is Business Ethics ?
- Give an example for Women Entrepreneur.
- What are incubation centres ?
- List out critical factors for launch of new organisation.
- Define Enterprise.
- Mention any one role of entrepreneurs with respect to corporate social responsibility.

[P.T.O.]



SECTION – B

(4×5=20)

Answer **any four** out of five of the following questions. **Each** question carries **five** marks.

2. Innovation and risk are two faces of same coin. Explain.
3. Optimum utilization of resources is the key for any entrepreneur to flourish in the business. Explain with suitable examples.
4. What are the different types of start-ups initiated by entrepreneurs ?
5. Mention different blocks to individual creativity as well as to organisation's creativity.
6. Differentiate between Entrepreneurs and Intrapreneurs.

SECTION – C

(1×10=10)

Answer **any one** out of two of the following questions. **Each** question carries **ten** marks.

7. Business ethics are important for an organisation. During the era of technological advancement, it is very difficult to maintain the goodwill in market for longer period of time. Mention important ethical practices which have to be followed by the organisations.
8. What are the recent trends in entrepreneurship ? How different fields are merging in the area of entrepreneurship ? What are new opportunities for individual's who want to start a brand-new enterprise on their own ?



SECTION – D

(1×10=10)

(Compulsory)

9. Mr. Anand Roy is an intrapreneur in an esteemed organisation called Nature, which is well known for making soft drinks and health drinks. Anand and his boss Mr. Abhimanyu are good friends. They know each other since 15 years. Anand is also known to solve any problem in company, whether it is financial problems, HR related or anything. As time is rolling down, Anand is getting hold of market, which is not liked by other employees. During this time, other employees have started telling ill things about Anand to Abhimanyu. Initially Abhimanyu didn't thought too much. But slowly he has started realising that what he is being told about Anand is all true. So he decides to take the company to further progress without the consult of Anand. By this decision, Anand realises to move out of the company and build his own.

Questions :

- a) Was it a wise decision by Anand to come out of company and start own ?
 - b) What all skills does Anand need to start his own company ?
 - c) What strategies have to be framed by Anand to be successful as an entrepreneur ?
 - d) How can Anand manage the rivalry with Nature Company in the market ?
 - e) By using all the above data, build a business model for Anand.
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THIRD SEMESTER M.COM. DEGREE EXAMINATION, MARCH 2022
(CBCS)

COMMERCE

Paper – 3.1 : Accounting Information System (Compulsory Paper)

Time : 3 Hours]

[Max. Marks : 75

SECTION – A

(6×2=12)

1. Answer **any six** sub-questions. **Each** sub-question carries **2** marks :

- a) What is an information system ?
- b) Define software suite.
- c) What is real time operating system ?
- d) State the meaning of Logical and Physical design.
- e) What is operational database ?
- f) List any four documentation techniques.
- g) Give the meaning of data source and data collect.
- h) State the importance of internal control.
- i) List the options available in account books menu in Tally ERP 9 .
- j) What is group in Tally ERP 9 ?

SECTION – B

(3×6=18)

Answer **any three** of the following questions. **Each** question carries **6** marks :

2. Why is it important to view an AIS as a combination of hardware, software, people, data and procedures ?

[P.T.O.]



3. Explain the different types of software licensing methods.
4. Why do database developers seek to data management approaches ? Explain.
5. Explain the role of conversion cycle in today's business.
6. Describe the enhanced features of Tally ERP 9.

SECTION – C**(3×15=45)**

Answer **any three** of the following questions. **Each** question carries **15 marks** :

7. Explain the term “Business Information System”. How is this changing the nature of business and who accomplishes various business processes ?
8. What is the purpose of a systems feasibility evaluation ? Should this activity precede or follow the preparation of a systems specifications report for computer vendor evaluation ? Explain.
9. Discuss the role of semi-DBMS and RDBMS. Explain how they are useful in management of database.
10. Describe in detail the activities performed by financial cycle and payrollcycle.
11. Give journal entries, identify ledger groups and type of vouchers in a tabular form for the following transactions to process in Tally ERP 9.
 - a) Mr. John commenced business with a capital Rs. 10,00,000/-
 - b) Opened Bank a/c with cash of Rs. 30,000/-
 - c) Furniture purchased Rs. 50,000/-
 - d) Purchased shares of Asian Co Rs. 20,000/-
 - e) Machinery purchased Rs. 50,000/-



- f) Furniture lost by fire Rs. 5,000/-
 - g) Received from Suma one hundred rupee note and gave her change for it Rs. 90/-
 - h) Received from Raju advance for goods Rs. 3,000/-
 - i) Invested in NSC Rs. 1,000/-
 - j) Salary due to M Rs. 1,000/-
 - k) Withdrawn furniture at cost price Rs. 2,000/- and cash Rs. 3,000/- for personal use.
 - l) Machinery lost by fire Rs. 10,000/-
 - m) Acquired from Rajaram a motor car in exchange for cash of Rs. 2,000/- and a cheque Rs. 5,000/-
 - n) Purchased goods on credit from Shiva Rs. 15,000/-, discount received Rs. 2,000/-
 - o) Sold goods on credit to Anand worth of Rs. 10,000/-, discount allowed Rs. 1,000/-
 - p) Bank credited interest on deposit Rs. 100/-
 - q) Received goods from Anand worth Rs. 1,500/-
 - r) Ms. Kapur issued cheque and purchased the following items :
 - Cell phone for Rs. 6,000/-
 - Air Conditioner for Rs. 20,000/-
 - Electrical fittings for Rs. 5,500/-
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1960 – IIS COM – M – 22



THIRD SEMESTER M.COM. (CBCS) DEGREE EXAMINATION, MARCH 2022
COMMERCE

Paper – 3.2 : Multinational Business Finance (Compulsory Paper)

Time : 3 Hours]

[Max. Marks : 75

Instructions : 1) Use of simple calculators is **permitted**.

2) Use of present value tables is **permitted**.

SECTION – A

1. Answer **any six** of the following sub-questions. **Each** sub-question carries **two** marks. (6×2=12)
- a) What is the objective of international financial management ?
 - b) Give meaning of conventional peg.
 - c) Who constructs BOP and what is its use in international financial management ?
 - d) Give meaning of international fisher's effect.
 - e) Identify the major sources of financing for multinational firm.
 - f) State the benefits of foreign listing of equity stock.
 - g) Differentiate between home currency and foreign currency approaches of evaluating international capital projects.
 - h) What is transaction exposure ?
 - i) What are Euro-dollar currencies ?
 - j) What is netting ? What are its benefits ?

[P.T.O.]



SECTION – B

Answer **any three** of the following questions. **Each** question carries **six** marks. (3×6=18)

2. What is interest-rate parity theory ? What are its assumptions and conclusions ?
3. Explain how exchange rate risk is hedged using forward contracts.
4. Kamat Ltd. is importing a special equipment from US for an amount of \$ 5,00,000, payable in 3 months. The current spot rate is US \$ 1 = ₹ 75.35. It is expected that the dollar will strengthen against rupee in 3 months and the spot rate at the end of 3 months would be ₹ 76.50. The borrowing cost is 8% p.a.
Calculate the cash flow of transaction.
5. Sonam is a currency trader in Mumbai. He notices the following quotes.

Spot Exchange rate	SFr 1.2051/\$
Six-month forward exchange rate	SFr 1.1922/\$
Six-month dollar interest rate	2.50% per year
Six-month swiss france interest rate	2.0% per year

 - a) Is the interest rate parity holding ? You may ignore transaction costs.
 - b) Is there an arbitrage opportunity ? If yes, show what steps need to be taken to make arbitrage profit. Assume that Sameer is authorised to work with \$10,00,000, compute the arbitrage profit in dollars.
6. IBM purchased computer chips from NEC, a Japanese electronics concern, and was billed ¥ 250 million payable in three months. Currently, the spot exchange rate is ¥ 105/\$ and the three-month forward rate is ¥ 100/\$. The three-month money market interest rate is 8% p.a. in the USA and 7% p.a. in Japan. The management of IBM decided to use a money market hedge to deal with this yen account payable.
 - a) Explain the process of money market hedge and compute the dollar cost of meeting the yen obligations.
 - b) Conduct a cash flow analysis of the money market hedge.



SECTION – C

Answer **any three** of the following questions. **Each** question carries **15 marks**.

(3×15=45)

7. What is International Capital Budgeting ? Explain adjusted present value method of appraising such projects.
8. Discuss the merits of various foreign currency and Euro-dollar bonds.
9. A US company wants to setup a manufacturing plant in India which requires an initial outlay of ₹ 8 million. It is expected to have a useful life of 5 years with a salvage value of ₹ 2 million. The company follows straight line method of depreciation. To support additional level of activity, investment would require one time additional working capital of ₹ 1 million.

Since the cost of production is lower in India, the variable cost of production would be ₹ 30 per unit. Additional fixed cost per annum is estimated at ₹ 0.5 million. The company is projecting its annual sales to 80,000 units at the price of ₹ 100 per unit. Applicable tax rate to the company is 34% and its cost of capital is 8%.

Inflation rates in US and India are expected to be 8% and 9% respectively. The current exchange rate is ₹ 72 per US dollar.

Assuming that all profits will be repatriated every year and there will be no withholding taxes, estimate the net present value of the proposed project in India and evaluate its feasibility.

PVF @ 8% for the five years are as under :

Rate	1 year	2 year	3 year	4 year	5 year
8%	0.926	0.857	0.794	0.735	0.681



10. On the Tokyo Stock Exchange, Honda Motor Company stock closed at ¥ 3,945 per share on Thursday, April 11, 2021. Honda trades as an ADR on the NYSE. One underlying Honda share equals one ADR. On April 11, 2021, the ¥/\$ exchange rate was ¥ 99.8270/\$ 1.00.

- i) At this exchange rate, what is the no-arbitrage US \$ price of one ADR ?
- ii) By comparison, Honda ADRs traded at \$ 39.97. Do you think an arbitrage opportunity exists ?
- iii) If Honda ADRs were trading at \$44 when the underlying shares were trading in Tokyo at ¥ 3,945, what could you do to earn a trading profit ? Assume that transaction costs are negligible.

11. A U.S. company is considering three financial plans for one year :

- a) A dollar loan @ 6%
- b) A swiss franc loan @ 3% and
- c) A German Bank loan at 4%.

The company has forecasted that the franc will appreciate by 2% for the next year and the mark will appreciate by 3% for the same period.

- a) Compute the expected effective cost of capital for each of the three plans.
- b) Which plan appears to be most feasible ? Why ?
- c) If the company proposes to raise funds in the proportion of 50 : 30 : 20 from US, Swiss and Germany respectively. What would be the WACC of the company ?

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THIRD SEMESTER M.COM. (CBCS) DEGREE EXAMINATION, MARCH 2022
COMMERCE

Paper – 3.3 : Corporate Accounting (Group B and C) **Accounting and Taxation and Finance Groups**

Time : 3 Hours]

[Max. Marks : 75

Note : Use of simple and non programmable calculator is
permitted.

SECTION – A

Answer **any six** sub-questions. **Each** sub-question carries **two** marks.
(6×2=12)

1. a) State the key features of revised Schedule VI.
- b) State the ceiling limit for separate disclosure of an item of income or expense as per revised Schedule VI.
- c) What are prior period items ? Give example.
- d) What is the accounting entry for cancellation of unissued shares ?
- e) What is purchase consideration ?
- f) Define preferential creditors.
- g) State the lists to be attached to the statement of affairs.
- h) What are the factors affecting valuation of shares ?
- i) What is goodwill ?
- j) What is cost of control ?

[P.T.O.]



SECTION – B

Answer any three questions. Each question carries six marks. (3×6=18)

2. Distinguish between amalgamation in the nature of merger and amalgamation in the nature of purchase.
3. Explain the effect of issue of bonus shares out of pre acquisition profit and out of post acquisition profit on cost of control with your own example.
4. Due to inadequacy of profits during the year, the company proposes to declare dividend out of general reserves. From the following particulars, you are required to ascertain the amount that can be drawn applying the Companies (Declaration of dividend out of Reserves) Rule 2014.
 - a) 8,750, 8% preference shares of Rs. 100 each fully paid Rs. 8,75,000
 - b) 3,50,000 equity shares of Rs. 10 each fully paid Rs. 35,00,000
 - c) General reserves Rs. 10,50,000
 - d) Capital reserves on revaluation of assets Rs. 1,75,000.
 - e) Securities premium Rs. 1,75,000.
 - f) Profit and loss account credit balance Rs. 31,500.
 - g) Net profit for the year Rs. 1,78,500.

Average rate of dividend during the last five years is 15%.

5. The following particulars relates to a limited company which has gone into voluntary liquidation. You are required to prepare the Liquidator's final account allowing for his remuneration @2% on the amount realized on assets and 2% on the amount distributed to unsecured creditors other than preferential creditors :

Unsecured creditors Rs. 2,24,000

Preferential creditors Rs. 70,000

Debentures Rs. 75,000

The assets realized the following sums :

Cash in hand Rs. 20,000

Land and building Rs. 1,30,000

Plant and machinery Rs. 1,10,500

Fixtures and fittings Rs. 7,500.

The liquidation expenses amounts to Rs. 2,000. A call of Rs. 2 per share on the partly paid 10,000 equity shares was made and duly paid except in case of one shareholder owning 500 shares.



6. Your client intends to invest not more than Rs. 15,000 in equity shares of X company and wants you to advise him the maximum number of shares he can expect to acquire with the said amount on the basis of the following information available to him.

6% preference share capital of Rs. 100 each Rs. 5,00,000

Equity share capital Rs. 3,00,000.

Average net profit of the business is Rs. 57,000. Expected normal yield is 7% in case of such equity shares. Total tangible assets (other than goodwill) Rs. 9,49,000 and outside liabilities Rs. 95,000. Goodwill is to be calculated at 5 year's purchase of the super profits. Show your workings in detail and ignore income tax.

SECTION – C

Answer any three questions. Each question carries fifteen marks. (3×15=45)

7. What are the methods of valuation of shares ? Explain in detail.
8. What are the consequences of winding up of company ? Give a proforma of the statement of affairs and deficiency or surplus account with imaginary figures which complies with the requirements of the Indian Companies Act.
9. The following are the balance sheets of H Ltd., A Ltd. and B Ltd. as on 31st March 2021.

Liabilities	H Ltd. (Rs.)	A Ltd. (Rs.)	B Ltd. (Rs.)
Share capital	20,00,000	10,00,000	4,00,000
Reserves	3,00,000	3,00,000	2,40,000
Profit and Loss Account	5,00,000	6,00,000	2,40,000
Trade payables	6,00,000	4,00,000	2,60,000
Total	34,00,000	23,00,000	11,40,000



Assets	H Ltd. (Rs.)	A Ltd. (Rs.)	B Ltd. (Rs.)
Fixed assets	12,00,000	6,00,000	3,00,000
Stock	8,00,000	7,60,000	6,00,000
Trade receivables	3,00,000	4,40,000	2,00,000
Bank	1,00,000	60,000	40,000
Shares in A Ltd.	10,00,000	—	—
Shares in B Ltd.	—	4,40,000	—
Total	34,00,000	23,00,000	11,40,000

H Ltd. purchased 90% shares in A Ltd. when latter's credit balance of Profit and Loss Account was Rs. 1,50,000 and reserve was Rs. 1,30,000.

A Ltd. purchased 80% shares in B Ltd. when B Ltd. had Rs. 40,000 in reserve and Rs. 70,000 as credit balance in Profit and Loss Account.

H Ltd. and A Ltd. acquired shares in subsidiaries on same date.

Prepare consolidated Balance Sheet of H Ltd. as at 31st March 2021.

10. The Balance Sheet of A Ltd. and B Ltd. as at 31st March 2021 were as follows :

Liabilities	(Rs. in thousands)			
	A Ltd. (Rs.)	B Ltd. (Rs.)	A Ltd. (Rs.)	B Ltd. (Rs.)
Preference share capital (50000 preference shares of Rs. 100 each)	5,000		Goodwill	— 700
Equity share capital (1500000 equity shares of 10 each)	15,000	4,000	Patents	2,000 —
400000 equity shares of Rs. 10 each)				

General reserve	8,000	—	Land and buildings	6,000	—
Profit and Loss Account	900	320	Plant and Machinery	15,500	—
Trade payables	500	210	Motor vehicle	—	400
			Furniture	—	250
			Investments	1,150	—
			Inventories	3,500	2,390
			Trade receivable	800	620
			Cash at bank	450	170
	29,400	4,530		29,400	4,530

A new company C Ltd. was formed to acquire the assets and liabilities of A Ltd. and B Ltd. The terms of acquisition of business were as under :

- Business of A Ltd. valued at Rs. 3,00,00,000, settlement being Rs. 60,00,000 cash and balance by issue of fully paid up equity shares at Rs. 12 each.
- Business of B Ltd. valued at Rs. 48,00,000, to be satisfied by issue of fully paid up equity shares at Rs. 12 each.
- Preference shares of A Ltd. were redeemed.
- C Ltd. made a public issue of 30,000 preference shares at par and 3,00,000 equity shares at Rs. 12 each. The issue was underwritten at 5% commission.
- D who mooted the scheme was allotted 40,000 equity shares (fully paid) at Rs. 12 each in consideration of his expenses.
- Formation expenses of Rs. 4,80,000 of C Ltd. were paid by issue of equity shares at Rs. 12. Make journal entries in the books of A Ltd. and B Ltd. and C Ltd. Assuming that the amalgamation is in the nature of purchase and also prepare Balance Sheet in the books of C Ltd.



11. An authorized share capital of Interstate Distributors Ltd. is Rs. 7,50,000 consisting of 3,000 6% cumulative preference shares of Rs. 100 each and 45,000 equity shares of Rs. 100 each. The following trial balance drawn up on 31st March, 2021 :

Paid up share capital :	Rs.
3,000 6% cumulative preference shares	3,00,000
3,000 equity shares (Rs. 75 per share called up)	2,25,000
Goodwill	1,00,000
5% mortgage debentures (secured on freehold properties)	2,10,000
Trade debtors	1,67,500
Trade creditors	1,25,520
Freehold properties at cost	3,90,000
Stock on 1 st April 2020	2,41,500
General reserves	82,725
Salaries	1,03,500
Profit and Loss Account (cr.)	58,500
Reserve for taxation	8,800
Delivery expenses	1,02,000
Rent and rates	38,250
General expenses	21,000
Furniture at cost	75,000
Sales	9,18,600



Purchases	4,76,500
Bills receivable	6,000
Freight and carriage inwards	3,750
Investments (600 shares of Rs. 100 each in Sunrise Ltd.)	60,000
Debenture interest (half year to Sept. 2020)	5,250
Final dividend for 2019-20,	20,250
Preference dividend (half year to 30 th September 2020)	9,000
Balance at bank in current account	97,500
Cash in hand	14,145
Shares forfeited account	2,000

- a) The value of stock on 31st March 2021 was Rs. 2,15,000.
- b) Depreciation on freehold properties is to be provided at 2.5% and on furniture at 6%.
- c) The director proposes to pay the second half-year's dividend on preference shares and 10% dividend on equity shares.
- d) Shares were forfeited on nonpayment of Rs. 35 per share.
- e) Corporate dividend tax need not be provided.

You are required to prepare Profit and Loss Statement and Balance Sheet.

1965 – IIIS COM – M – 22



THIRD SEMESTER M.COM. (CBCS) DEGREE EXAMINATION, MARCH 2022 COMMERCE

Paper – 3.4 : Accounting for Specialised Institutions (Accounting, Taxation and Finance Groups)

Time : 3 Hours]

[Max. Marks : 75

Instruction : Use of simple and non-programmable calculator
is **permitted**.

PART – A

1. Answer **any six** sub-questions. **Each** sub-question carries
2 marks : **(6×2=12)**
- a) What is reserve for unexpired risk ?
 - b) What is re-insurance ?
 - c) Give the meaning of rebate on bills discounted.
 - d) What is CRR ?
 - e) What is non-banking asset ?
 - f) What is the purpose of preparing the capital account ?
 - g) Give the meaning of clear profit.
 - h) What is endowment fund ?
 - i) Give meaning of non-performing asset.
 - j) What is visitors ledger ?

PART – B

Answer **any three** questions. **Each** question carries 6 marks : **(3×6=18)**

2. What are the difference between single account system and double
account system ?

[P.T.O.]



3. Write a note on (a) Corpus Fund and (b) General donation and specific donation.
4. From the following information as on 31st March, 2020, find out the reserve for unexpired risk on 31st March, 2020 of Marine company :

Particulars	Direct Business	Reinsurance
Premium:		
Received	Rs. 24,00,000	Rs. 3,60,000
Receivable : 1 st April 2019	Rs. 1,20,000	Rs. 21,000
-31 st March, 2020	Rs. 1,80,000	Rs. 28,000

5. From the following information find out the amount of provisions to be shown in the Profit and Loss Account of a Commercial Banks :

Assets	Rs. (in lakhs)
Standard	4,000
Sub-standard	2,000
Doubtful upto 1 year	900
Doubtful upto 3 years	400
Doubtful more than 3 years	300
Loss Assets	500

6. a) A hotel in Kolkata has 240 single bed rooms and 360 double bed rooms available for letting. On 24th January, 2021, 520 rooms were occupied by 832 guests. Calculate the double occupancy rate.
- b) A hotel in Mumbai has 160 single bed rooms, 240 double bed rooms and 6 dormitories having 9 beds each. On 1st March 2021, 120 single bed rooms, 180 double bed rooms and 3 dormitories were occupied by guests. Calculate the bed occupancy rate.



PART – C

Answer **any three** questions. Each question carries **15** marks : (3×15=45)

7. Explain the classification of assets and provisions for doubtful debt in Indian banking companies.
8. What are the sources of income for educational institutions ? Explain the procedure for preparing final accounts of educational institutions with examples.
9. From the following as at 31st March, 2020 in the books of General Insurance Co. Limited, prepare a Revenue Account in respect of Fire insurance business carried on by them :

	Rs.
Claims paid	4,80,000
Claims outstanding on 1 st April 2019	40,000
Claims intimated and accepted, but not paid on 31 st March 2020	70,000
Premium received	12,00,000
Re-insurance premium paid	1,20,000
Commission	2,00,000
Commission on reinsurance ceded	8,000
Commission on reinsurance accepted	4,000
Expenses of Management	3,02,000
Provision for unexpired risk on 1 st April, 2019	4,00,000
Additional Provision for unexpired risk on 1 st April, 2019	20,000



Bonus utilized in reduction of premium	12,000
Re-insurance recoveries of claims	8,000
Medical expenses regarding claims	5,000
Loss on sale of motor car	3,500
Bad debts	2,500
Refund of double taxation	4,500
Interest and dividends	8,000
Income tax deducted thereon	1,500
Legal expenses regarding claims	4,000
Profit on sale of investments	3,500
Rent of staff quarters deducted from salaries	2,400
Depreciation of Furniture	4,600

You are required to provide for additional reserve for unexpired risk at 1 percent of the net premium in addition to the opening balance of Additional Reserve.

10. Following is the Trial Balances of Maurya Ltd. as on 31-03-2020. Prepare Profit and Loss Account and Balance Sheet.

Particulars

	Dr. (Rs.)	Cr. (Rs.)
8,500, 5% preference shares of 10 each		85,000
14,000 Equity shares of Rs. 10 each		1,40,000
Purchase : Liquors	60,000	
Purchase: Provisions	50,000	
Sales : Food		70,000

Sales : Liquors	80,000	
Apartment Rents	82,000	
Miscellaneous income	10,300	
4% Mortgage Debentures	2,00,000	
Buildings	3,50,000	
Furniture and Fittings	57,000	
Investments	52,000	
Goodwill at cost	1,10,000	
Reserve Fund	75,000	
Profit and Loss A/c 1-4-2019	15,000	
Creditors	50,000	
Debenture Interest	7,500	
Wages and salaries	52,000	
Hotel expenses	7,000	
General Administrative expenses	29,500	
Repairs	2,125	
Interim dividend for Pref. shares (1/2 year)	2,125	
Stock on 1-4-2019 : Liquors	22,000	
Stock on 1-4-2019 : Provisions	3,200	
Cash	1,350	
Book debts	1,500	
	8,07,300	8,07,300

**Adjustments :**

- 1) Closing stock of liquors Rs. 25,000 and provisions Rs. 15,000
 - 2) Depreciate Furniture by 5%
 - 3) Wages unpaid Rs. 15,000
 - 4) Provide for balance of Debentures interest and preference dividend
 - 5) Declare 10% dividend for equities.
11. Following information is extracted from the accounting records of BCT Electricity Supply Ltd., for the financial year ended 31st March, 2020 :

	Rs.
Share Capital	60,00,00,000
Fixed Assets (Tangible) at cost	1,16,00,00,000
Accumulated Depreciation	40,00,00,000
Intangible Assets	6,00,00,000
Loan from State Electricity Board	10,00,00,000
12% Debentures	20,00,00,000
Tariff and Dividend Control Reserve	6,00,00,000
Customers Security Deposits	6,00,00,000
Monthly average of Current Assets	7,00,00,000



Net Profit after Tax	12,20,00,000
Depreciation Reserve Fund Investment	40,00,00,000
Contingencies Reserve Investment	4,00,00,000

The monthly average of current assets includes Rs. 1,00,00,000 due from customers. Investments yield 10% return p.a., The applicable bank rate is 9% p.a. You are required to determine.

- i) Capital Base
 - ii) The reasonable return
 - iii) The disposal of profit.
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THIRD SEMESTER M.COM. (CBCS) DEGREE EXAMINATION, MARCH 2022 COMMERCE

Paper – 3.5 : Corporate Tax Planning (Direct Taxes) – I (Accounting and Taxation Group)

Time : 3 Hours]

[Max. Marks : 75

Instruction : Use of simple and non-programmable calculator is **permitted**.

SECTION – A

(6×2=12)

1. Answer **any six** sub-questions. **Each** sub-question carries **two** marks.

- a) What is tax avoidance ?
- b) Give meaning of compulsory return of income.
- c) State the conditions to be fulfilled to claim additional depreciation.
- d) What is book profit ?
- e) List any four incentives available from nature of industrial undertakings point of view.
- f) State main features of LLP.
- g) Define dividend.
- h) What do you mean by demerger ?
- i) Differentiate between allowances and perquisites.
- j) State any four taxable perquisites.

[P.T.O.]



SECTION – B

(3×6=18)

Answer any three questions. Each question carries six marks.

2. Explain in brief, residential status of a company and tax incidence.
3. Discuss any two future benefits available to employees.
4. The written down value of a block of assets consisting of plant 'z' of a company was ₹ 8,00,000 on 1-4-2020. On 1-9-2020 plant 'y' was purchased for ₹ 14,00,000 and freight and erection charges of the same amounted to ₹ 1,00,000. The company also received a subsidy of ₹ 5,00,000 from the Government on the purchase of new plant. The plant 'z' was destroyed by fire in December 2020. The damaged plant was sold for ₹ 70,000 and a claim of ₹ 2,00,000 was received from the insurance company. Calculate the amount of depreciation allowable for the assessment year 2021-22 at 15% on the plant and also show written down value at 1-4-2021.
5. The total income of XYZ Ltd., a foreign company computed under normal provisions of Income Tax Act, 1961 is ₹ 30,00,000. However, the book profits of the company (calculated as per Section 115 JB) amounted to ₹ 80,00,000. Calculate the tax liability of the company for the Assessment Year 2021-22.
6. ABC Ltd. is carrying on the business of manufacturing automobiles. It has also established its 'Research and Development' Section. The company installed a machine for scientific research on 1-6-2018 by spending ₹ 15,00,000. The entire cost has been debited to Profit and Loss Account. Now this machine is sold for ₹ 17,00,000 on July 2021 without using it for any other purposes of the business. The business income of the company before giving any effect to above facts is ₹ 70,00,000. Compute Business Income, Capital Gain/Loss if any.



SECTION – C

(3×15=45)

Answer **any three** questions. **Each** question carries **15** marks.

7. Explain different kinds of incomes specifically mentioned as chargeable to tax under the head 'Income from Other Sources'.
8. Write notes on :
 - a) Unabsorbed depreciation
 - b) Unabsorbed capital expenditure on scientific research activities
 - c) Terminal depreciation.
9. Rakshit Traders Limited is a company in which the public are substantially interested. It closes its accounts on 31st March every year. During the current year, it has derived the following incomes.

Particulars	Amount (₹)
a) Profit from the manufacturing unit at Bangalore	48,00,000
b) Profit from trading activities at Bangalore	12,00,000
c) Interest on debentures issued by another company which is a domestic company producing cement (gross)	3,20,000
d) Dividend from a foreign company	1,20,000
e) Profit from an approved Five Star Hotel at Delhi (Normal depreciation of ₹ 7,00,000 has not been charged in calculation of profit)	24,50,000
f) The company passed on a formula for manufacturing tiles to another company in Uganda and received royalty there from	20,00,000
g) Brought forward unabsorbed depreciation	21,50,000
h) Book Profits of the company as per Section 115 JB	50,00,000

You are required to calculate total income and tax liability of the company.



10. C Ltd. (incorporated in 2010-11) requires ₹ 50,00,000 to finance an expansion project. The expected rate of return before interest and tax is 30% of the investment in project. The debt can be raised by issuing 11% debentures. The company has following 3 options.

Particulars	Option – I	Option – II	Option – III
Equity share capital	50,00,000	35,00,000	15,00,000
11% debentures	–	15,00,000	35,00,000
Total	50,00,000	50,00,000	50,00,000

The tax rate applicable to company is 30% plus 7% surcharge (if total income > 1 crore but does not exceed ₹ 10 crore) and 4% HEC.

The company has decided to distribute the entire earnings as dividend. Suggest the best option to the company.

11. ROLEX Ltd. wants to acquire an automatic machine costing ₹ 20,00,000 for its manufacturing division and is considering the following two options.

Option – I :

To buy the machine by taking loan @ 15% p.a. repayable in 5 yearly instalments of ₹ 4,00,000 each together with interest payable at each year end.

Option – II :

To take it on lease for 5 years at an annual base rent of ₹ 6,50,000 for 5 years payable at each year end. The lessor will charge 1% of cost of machine as file charges payable along with the lease rent of 1st year.

Other Information :

- Tax rate applicable to company is 30%
- After tax cost of capital is 14%
- Rate of depreciation on machine is 15% on w.d.v. basis.
- Present value factor for ₹ 1 @ 14% at the end of the year is

Year	1	2	3	4	5
PV Factor	0.877	0.770	0.675	0.592	0.519

Suggest which option company should accept ?