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7850—III S COM—March 2021

THIRD SEMESTER M.Com. DEGREE (C.B.C.S.) EXAMINATION, MARCH 2021

Commerce

Paper 3.1—ACCOUNTING INFORMATION SYSTEM

Time : Three Hours

Maximum : 75 Marks

Write all answers in the same answer booklet.

Section A

Answer any six sub-questions.

Each sub-question carries 2 marks.

1. (a) State the purposes of information system.
- (b) What type of information system used in HRM functions ?
- (c) What do you mean by system design ?
- (d) What is business software ?
- (e) Define data warehousing.
- (f) State the need for security of accounting data.
- (g) Define transaction cycle.
- (h) What is lean manufacturing ?
- (i) What is the need of security control backup ?
- (j) What is POS invoice ?

(6 × 2 = 12 marks)

Section B

Answer any three questions.

Each question carries 6 marks.

2. What are the components of information systems ?
3. Explain the functions of system software.
4. Discuss how the data base structure helps in data management.
5. What are the revenue cycle activities ? Discuss in brief.
6. Explain the processing of GST in Tally EPR-9.

(3 × 6 = 18 marks)

Turn over

Section C

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

7. Explain the information system used in SCM and CRM.
8. Discuss the various programming softwares used in developing softwares.
9. Elaborate the types of data bases in data resource management.
10. What are the basic and advanced technologies in expenditure cycle ? Explain.
11. How do you set TDS data base in Tally ERP-9 ? Explain.

(3 × 15 = 45 marks)

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7851—III SCOM—March 2021

THIRD SEMESTER M.Com. (CBCS) DEGREE EXAMINATION, MARCH/APRIL 2021

Commerce

Paper 3.2—MULTINATIONAL BUSINESS FINANCE

(Compulsory)

Time : Three Hours

Maximum : 75 Marks

Section A

Answer any six of the following sub-questions.

Each sub-question carries 2 marks.

1. (a) What is meant by international financial management ?
- (b) How important BOP in international finance ?
- (c) Give meaning of Bretton-Woods Monetary System ?
- (d) What is a direct quote ?
- (e) What is International Fisher's Effect ?
- (f) What are leads and lags ?
- (g) Give meaning of 'in-the-money and out-of-the-money' options.
- (h) What is translation exposure ?
- (i) What is home-currency approach ? How is it different from foreign-currency approach ?
- (j) What is meant by repatriation of dividends ?

(6 × 2 = 12 marks)

Section B

Answer any three of the following questions.

Each question carries 6 marks.

2. Explain why capital budgeting analysis so important to the multinational business firm.
3. Explain why and how a firm's cost of capital decrease when the firm's stock is cross-listed on foreign stock exchanges.

Turn over

4. From the following quotes of a bank, determine the rate at which Yen (¥) can be purchased with Rupees :

Rs/£Sterling	75.31-33
£Sterling/Dollar (\$)	1.563-65
Dollar (\$) /Yen (¥)	1.048/52 (per 100 Yen)

5. Mitsubishi Ltd. is operating in Japan and dealing with Zen Ltd. in India. The payment is due three months from the date of invoice and the invoice value is Yen 108 lakh. At today's spot rate, it is equivalent to Rs. 66,96,000. It is anticipated that the exchange rate will decline by 10 % over the three months period, and in order to protect the Yen payment, the importer proposes to take appropriate action in the foreign exchange market. The three-month forward rate is presently quoted at 1.48 Yen per Rupee.

You are required to calculate the expected loss, and to show how it can be hedged by a forward contract ?

6. Presently, one US \$ is worth 140 Japanese Yen in the spot market. The interest rate in Japan on 90 days government securities is 4 % per annum. What is the implied interest rate in USA if the 3-month forward rate is 138 Japanese Yen per US \$ according to the interest rate parity

If the actual interest rate is 7% per annum in USA, what action would follow ?

(3 × 6 = 18 marks)

Section C

Answer any three of the following questions.

Each question carries 15 marks.

- Briefly explain each of the major types of international bond market instrument, noting their distinguishing characteristics ?
- Explain why the cash management process more difficult in a MNC.
- An Indian Company has to settle an import bill for Singapore Dollar (SGD) 1,30,000. The exporter has given the Indian company two options :
 - Pay immediately without any interest charges
 - Pay after three months with interest @ 5% per annum.

The importer's bank charges 15% per annum on overdrafts. The exchange rates in the market are as follows :

Spot Rate (Rs./SGD)	Rs. 48.35/48.36.
3-month Forward Rate (Rs./SGD)	Rs. 48.81/48.83.

The importer seeks your advice.

10. The management of a multinational company TL Ltd. is engaged in construction of infrastructure project. A proposal to construct a Toll Road in Nepal is under consideration of the management. The following information is available:

The initial investment will be in purchase of equipment costing USD 250 lakhs. The economic life of the equipment is 10 years. The depreciation on the equipment will be charged on straight line method. EBIDTA to be collected from the Toll Road is projected to be USD 33 lakhs per annum for a period of 20 years.

To encourage investment, Nepalese government is offering a 15 year term loan of USD 150 lakhs at an interest rate of 6 per cent per annum. The interest is to be paid annually. The loan will be repaid at the end of 15 year in one tranche.

The required rate of return for the project under all equity financing is 12 % per annum. Post tax cost of debt is 5.6 % p.a.

Corporate tax rate is 30 %.

All cash flows will be in USD.

Ignore inflation.

You are required to advise the management on the viability of the proposal by using Adjusted Net Present Value Method.

Given :

$$\text{PVIFA}(12\%, 10) = 5.650 ; \text{PVIFA}(12\%, 20) = 7.469, \text{PVIFA}(8\%, 15) = 8.559, \text{PVIF}(8\%, 15) = 0.315$$

11. Tuba City Manufacturing, Inc., a U.S. multinational company, has the following debt components in its consolidated capital section :

US dollar-denominated 25-year bonds at 6.00 %	\$ 10,000,000
US dollar-denominated 5-year euro notes at 4.00%	\$ 4,000,000
Euro-denominated 10-year bonds at 5.00 %	€ 6,000,000
Yen-denominated 20-year bonds at 2 %	¥ 750,000,000
Common Stock	\$ 35,000,000
Retained Earnings	\$ 15,000,000

Turn over

Tuba City's finance staff estimates its cost of equity to be 20%. Current exchange rates are :

European Euros	\$0.90/€
British Pounds Sterling	\$1.50/£
Japanese Yen	¥125/\$

Income taxes are 30 % around the world after allowing for credits.

Calculate Tuba City's weighted average cost of capital.

Are any assumptions implicit in your calculation ?

(3 × 15 = 45 marks)

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7855—III S COM—March 2021

THIRD SEMESTER M.Com. DEGREE (C.B.C.S.) EXAMINATION, MARCH 2021

Commerce

Paper 3.3—CORPORATE ACCOUNTING

(GROUP B AND C)

Time : Three Hours

Maximum : 75 Marks

Write all answers in the same answer booklet.

Use of simple and non-programmable calculator, financial table and log table is permitted.

Section A

Answer any six sub-questions.

Each sub-question carries 2 marks.

1. (a) What is divisible profit ?
- (b) Distinguish between accounting income and taxable income.
- (c) State the factors to be considered in determining normal rate of return.
- (d) What is productivity factor ?
- (e) State the accounting entry in conversion of shares into stock.
- (f) Define amalgamation as per AS 14.
- (g) Who are list A contributories ?
- (h) What is workmen portion ?
- (i) What is the accounting treatment of unrealized profit under group accounts ?
- (j) Distinguish between cross holding and chain holding.

(6 × 2 = 12 marks)

Section B

Answer any three questions.

Each question carries 6 marks.

2. What are the consequences of winding up decision of a company ?
3. Discuss the conditions to be satisfied to become amalgamation in the nature of merger.

Turn over

4. The following is the balance sheet of X company as at 31st March 2020 :

<i>Liabilities</i>	...	Amount	<i>Assets</i>	...	Amount
Share capital	...	3,28,000	Fixed assets	...	1,80,000
Reserves	...	80,000	Current assets	...	2,44,080
Creditors	...	76,080	Investment shares	...	60,000
Total	...	<u>4,84,080</u>	Total	...	<u>4,84,080</u>

The following were the profits earned which included a fixed income from investment of Rs. 4,000 p.a. :

Year ended 2017 Rs. 64,000

Year ended 2018 Rs. 72,000

Year ended 2019 Rs. 86,000

Year ended 2020 Rs. 90,000

Standard rate of return on capital employed in such type of business is @ 8 %.

Compute the goodwill of the business at three year's purchase of the average super profit of 4 years assuming that each year's profit was fully distributed as dividend among shareholders.

5. A manager is entitled to a commission at a certain percentage of net profit (such commission to be charged in arriving at the net profit).

The commission is to be allowed in the following rates :

First Rs. 20,000 of the net profit is nil

Next Rs. 40,000 of the net profit @ 10%

Next Rs. 60,000 of the net profit @ 15%

Next Rs. 1,20,000 of the net profit @ 20%

Balance of the net profit @ 30%

The net profit before charging the manager's commission is Rs. 2,90,000. Compute the amount of manager's commission.

6. Following are the extracts from the balance sheet of H Ltd and its subsidiary Y Ltd as on 31st December 2020 :

Liabilities	H Ltd (Rs.)	S Ltd (Rs.)	Assets	H Ltd (Rs.)	S Ltd (Rs.)
Share capital (Rs.10 each)	5,00,000	1,00,000	Shares in S Ltd		
General reserve on			8000 shares	1,00,000	—
01-01-2020	1,00,000	50,000	Fixed assets	5,00,000	1,50,000
Profit for the year	1,00,000	50,000	Current assets	1,00,000	50,000
Total	7,00,000	2,00,000		7,00,000	2,00,000

H Ltd acquired shares in S Ltd on 1st July 2020. On 31st December 2020, S Ltd decided to issue bonus shares in the ratio of one bonus share for every five held. You are required to calculate cost of control and minority interest if bonus shares are issued out of preacquisition and post acquisition profits.

(3 × 6 = 18 marks)

Section C

Answer any three questions.

Each question carries 15 marks.

- Explain the provisions of Companies Act 2013 in respect of preparation financial statements.
- Describe methods and factors to be considered in valuation of goodwill of a company.
- A winding up order has been issued against M Ltd., The following information is obtained with regards to assets and liabilities as on 30th June 2020 :

	Rs.
Freehold premises (book value Rs. 4,50,000) valued at	... 3,75,000
First mortgage on freehold premises	... 3,00,000
Second mortgage on freehold premises	... 1,12,500
8 % Debentures (floating charge) interest due on 1 st Sept.	
and 1 st April and paid due on dates	... 1,50,000

Turn over

		Rs.
Managing directors remuneration (6 months)	...	22,500
Staff salary unpaid (one month)	...	16,050
Trade debtors :		
Good	...	31,500
Doubtful (estimated to realize 50 %)	...	12,900
Bad	...	72,750
Plant and machinery (book value Rs. 2,47,500) estimated to realize	...	1,74,000
Bank overdraft unsecured	...	58,125
Cash in hand	...	825
Stock (at cost Rs. 50,850) estimated to realize	...	33,900
Equity Share capital of Rs. 10 each	...	1,50,000
Calls in arrears Rs. 3,000 estimated to realize	...	1,500
Unsecured creditors	...	2,96,250
Contingent liability in respect of a claim for damages Rs. 37,500		
estimated to settled for :	...	18,000
Income tax liability :		
For 30 th June 2018	...	5,250
For 30 th June 2019	...	1,275
For 30 th June 2020	...	2,700

The reserve of the company on 1st September amounted to Rs. 7,500.

You are required to prepare statement of affairs.

10. X Company went into liquidation on 1st July 2020. The following particulars are available :

Particulars	Amount	Amount
Share capital :		
20,000 8% preference shares of Rs.100 each		20,00,000
10,00,000 equity shares of Rs. 5 each	50,00,000	
Less calls in arrears	20,000	49,80,000
<i>Liabilities</i>		
Secured loan (on mortgage of land and buildings)		3,00,000
Secured loan (floating charge on all assets)		16,00,000
Unsecured creditors (including preferential creditors Rs. 1,20,000)		43,20,000
<i>Assets</i>	<i>Estimated to realize</i>	<i>Book Value</i>
Land and buildings	3,60,000	6,00,000
Plant	24,00,000	30,00,000
Other fixed assets	2,00,000	80,000
Stock	8,00,000	16,00,000
Sundry debtors :		
Good		16,56,000
Bad		80,000
Doubtful	2,00,000	3,00,000
Bills receivable	90%	40,000
Advances considered bad		2,00,000
Cash		24,000
Bank		20,000

Bill discounted but not matured Rs. 40,000 of which Rs. 20,000 is expected to be bad. On January 2017 the company had a credit balance of Rs. 2,00,000 in its profit and loss account. During 2018, it made a profit of Rs. 15,00,000 after tax and paid dividends to preference shareholders @ 8% and equity shareholders @ 10%. In 2019, the company suffered a trading loss of Rs. 10,00,000, speculation loss of Rs. 5,00,000 besides imposition of penalty by excise authorities of Rs. 5,00,000. Since then accounts have not been made. Prepare Deficiency account.

Turn over

11. A Ltd is a holding company and B Ltd and C Ltd are subsidiaries of A Ltd. Their Balance Sheets as on 31-12-2020 are given below :

Liabilities	A Ltd (Rs.)	B Ltd (Rs.)	C Ltd (Rs.)	Assets	A Ltd (Rs.)	B Ltd (Rs.)	C Ltd (Rs.)
Share capital	1,00,000	1,00,000	60,000	Fixed assets	20,000	60,000	43,000
Reserves	48,000	10,000	9,000	Investments			
Profit and loss A/c	16,000	12,000	9,000	Shares in B Ltd	95,000	—	—
C Ltd balance	3,000	—	—	Shares in C Ltd	13,000	53,000	—
Sundry creditors	7,000	5,000	—	Stock in trade	12,000	—	—
A Ltd Balance	—	7,000	—	B Ltd balance	8,000	—	—
				Sundry Debtors	26,000	21,000	32,000
				A Ltd Balance	—	—	3,000
	1,74,000	1,34,000	78,000		1,74,000	1,34,000	78,000

The following particulars are given :

- The share capital of all companies is Rs. 10 each.
- A Ltd held 8,000 shares of B Ltd and 1,000 shares of C Ltd.
- B Ltd held 4,000 shares in C Ltd.
- All these investments were made on 30-06-2020.
- On 31-12-2019 the position was as shown below :

Particulars	B Ltd (Rs.)	C Ltd (Rs.)
Reserves	8,000	7,500
Profit and Loss account	4,000	3,000
Sundry creditors	5,000	1,000
Fixed assets	60,000	43,000
Stock in trade	4,000	35,500
Sundry debtors	48,000	33,000

- (f) 10% dividend is proposed by each company.
- (g) The whole of stock in trade of B Ltd as on 30-06-2020 (Rs. 4,000) was later sold to A Ltd for Rs. 4,400 and remained unsold by A Ltd as on 31-12-2020.
- (h) Cash in transit from B Ltd was Rs. 1,000 as at the close of business.

You are required to prepare the consolidated balance sheet of the group as on 31-12-2020.

(3 × 15 = 45 marks)

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7856—III S COM—March 2021

THIRD SEMESTER M.Com. DEGREE (C.B.C.S.) EXAMINATION, MARCH/APRIL 2021

Commerce

Paper : SC 3.4—ACCOUNTING FOR SPECIALISED INSTITUTIONS

Time : Three Hours

Maximum : 75 Marks

Use of simple and non-programmable calculator is permitted.

Part A

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

- Define Insurance.
- Differentiate between life assurance fund and reserve for unexpired risk.
- State the need for preparation of valuation balance sheet.
- What is statutory liquidity ratio ?
- What are inter-bank adjustments ?
- What are loss assets of a bank ?
- What is European plan ?
- What is reasonable return ?
- State the need for accounting of hospitals.
- What do you understand by Capital Fund ?

(6 × 2 = 12 marks)

Part B

*Answer any three questions.
Each question carries 6 marks.*

- Explain the registers to be maintained in educational institutions.
- Explain in brief, the factors to be considered for determination of room occupancy rate.
- From the following particulars of life insurance company for the year ended 31-3-19, you are required to prepare valuation balance sheet as on 31-3-19 and distribution statement as on that date :

Particulars		Amount in lakh (Rs.)
Life Assurance fund as on 31-3-19	...	7,600
Net liability as per valuation	...	5,000
Interim bonus	...	800

Turn over

5. From the following details calculate the amount of provision required to be made in profit and loss account of Evergreen Bank Ltd for 2019-20.

Particulars	Amount (in lakhs) (Rs.)
Standard assets	16,000
Sub-standard assets	12,000
Doubtful assets	
One year secure	4,800
For 2-3 years secured	3,600
More than three years (secured by mortgage by Machinery worth Rs. 1,000 lakhs)	1,800
Non-recoverable assets	3,000

6. A railway station had to be replaced by a new one. The new station's cost was Rs. 6,00,000 whereas the old one had cost of only Rs. 1,50,000. Materials formed $\frac{3}{4}$ of the total expenditure and labour accounted for the rest. Prices of materials have doubled and wage rates have gone up by 250 per cent since the old station was built. Materials worth Rs. 25,000 were used in the new station and sale proceeds of the materials were Rs. 9,000. These materials were obtained by pulling down the old station. Pass journal entries and show the total amount to be capitalized and written off.

(3 × 6 = 18 marks)

Part C

Answer any three questions.

All questions carry equal marks.

7. Write a note on : (a) Checkout system ; (b) Occupancy rate ; (c) Visitor's Ledger.
8. Evaluate the main sources of revenue and expenditure in hospitals.
9. Prepare a Revenue Account for Fire Insurance business from the following details for the year ending 31-03-2020.

Particulars	Amount
Reserve for unexpired risk as on 1-4-2019 at 50%	7,20,000
Additional reserve	1,44,000
Estimated liability for claims intimated on 1-4-2019	1,24,000
Estimated liability for claims intimated on 1-4-2020	1,68,000
Claims paid	14,60,000
Legal expenses	24,000
Reinsurance recoveries	1,28,000
Medical expenses	16,000
Bad debts	3,200
Premium received	19,44,000
Premium on reinsurance accepted	1,28,000
Premium on reinsurance ceded	1,72,000

Particulars	Amount
Commission on direct business	1,94,400
Commission on reinsurance accepted	6,400
Commission on reinsurance cede	8,600
Expenses of management	3,60,000
Interest, dividend and rent	96,000
Profit on sale of investments	12,000

Create reserve on 31-3-2020 to the same extent as on 1-4-2019.

10. From the following information, prepare Profit and Loss A/c of South India Bank Ltd. as on 31st March, 2020 :

Particulars	Amount ('000)
Interest and discount	3,045
Income from investment	115
Interest on balance with RBI	180
Commission, exchange and brokerage	820
Profit on sale of investment	110
Interest on deposit	1,225
Interest on RBI	161
Payment and provision for employees	1,044
Rent, taxes and lighting	210
Printing and stationery	180
Advertisement and publicity	95
Depreciation	92
Directors' fees	220
Auditors' fees	120
Law charges	230
Postage, telegram and telephone	70
Insurance	56
Repairs and maintenance	48

Turn over

Other information :

Particulars	Amount ' 000
i) Interest and discount mentioned above is after adjustment for the following :	
Tax provision for the year	... 220
Provision during the year for doubtful debts	... 102
Loss on sale of investment	... 12
Rebate on bill discounted	... 58
ii) 20% of profit is transferred to statutory reserve	
5% of profit is transferred to revenue reserve	
Profit brought forward from the previous year	... 16

11. The following balances relate to an electricity company and pertain to its amounts for the year ended 31-3-2020 :

Particulars	Amount (Rs.)
Share capital	.. 50,00,000
Reserve fund (invested in 5% government securities at par)	.. 30,00,000
Contingencies reserve-invested in 6% state Government loans	.. 10,00,000
Loan from State Electricity Board	.. 15,00,000
11 % Debentures	.. 4,00,000
Development Reserve	.. 5,00,000
Fixed Assets	.. 1,00,00,000
Depreciation reserve on fixed assets	.. 40,00,000
Consumer's deposits	.. 37,50,000
Amount contributed by consumers towards fixed assets	.. 1,00,000
Intangible assets	.. 2,50,000
Tariff and dividend control reserve	.. 3,00,000
Current assets-monthly average	.. 10,00,000

The company earned a post tax profit of 5,00,000. Show how the profits of the company will be dealt with under the provisions of Electricity Act, assuming that the bank rate during the year was 8%.

(3 × 15 = 45 marks).

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7857—III S COM—March 2021

THIRD SEMESTER M.Com. DEGREE (C.B.C.S.) EXAMINATION, MARCH/APRIL 2021

Commerce

Paper SC 3.5—CORPORATE TAX PLANNING-I

Maximum : 75 Marks

Time : Three Hours

Use of simple and non-programmable calculator is permitted.

Part A

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

- a) Write scope of corporate tax planning.
- b) State important areas of tax management.
- c) Give the meaning of tax incidence.
- d) How does speculation business differ from non-speculation business ?
- e) State the need for determination of book profits.
- f) What do you mean by balancing charge ?
- g) Differentiate between Indian income and foreign income.
- h) What is unabsorbed depreciation ?
- i) State the factors to be considered for issue bonus shares.
- j) Write a note on dividend distribution tax.

(6 × 2 = 12 marks)

Part B

Answer any three questions.

Each question carries 6 marks.

2. Explain in brief, provisions of section 35 for expenditure on scientific research activities.
3. Discuss the methods of assessment under the provisions of Income Tax Act 1961.
4. X Ltd., is a foreign company. However, persons holding more than 90 percent shares in the company are citizen of India as well as resident in India. The business of the company is controlled partly from India and partly from outside India by a team of professionals.

Turn over

Find out the residential status of X Ltd and net income for the assessment year 2020-21 on the basis of the following additional information :

Income from a property situated in Canada (rent is received outside India)	20,40,000
Income from a property situated in Mumbai (rent is received outside India)	23,10,000
Royalty from Government of India (paid outside India)	6,00,000
Income from business in India	18,00,000

5. Akash Ltd., a manufacturing company, owns the following assets on April 1, 2019 :

Assets	Rate of Depreciation	WDV on 1-04-2019
Plant A	30%	4,00,000
Plant B	15%	8,50,000
Plant C	15%	28,00,000
Plant D	30%	38,000

Akash Ltd., purchases the following assets on March 10, 2020

Plant E	30%	13,80,000
Plant F	15%	8,10,000

Akash Ltd., sells the following plants during the previous year 2019-20

Plant C	15%	48,20,000
Plant C	30%	16,90,000

Determine the amount of depreciation and capital gain for the assessment year 2020-21. The company is not eligible for additional depreciation.

6. Find out the amount of interest payable under section 234A in the following case :

Name of the company	P Ltd
Date of submission of return of income for the assessment year 2020-21	February 1, 2021
Date of payment of self assessment tax	September 25, 2021
Tax on income assessed by the department (after deducting advance tax and TDS)	9,10,000
Self assessment tax paid	2,57,000

(3 × 6 = 18 marks)

Part C

*Answer any three questions.
All questions carry equal marks.*

7. Discuss the various expenses expressly disallowable from business income.
8. Explain in detail, the provisions of carry forward and set off of losses under Income Tax Act 1961.
9. B Ltd., has provided the following information for the year ended 31-03-2020 :

Total income computed as per the provisions of income tax Act	20,00,000
Profit as per Statement of profit and loss	50,00,000

A) Items deducted in statement of profit and Loss :

i) Provision for income tax	6,50,000
ii) Dividend distribution tax	50,000
iii) Provision for deferred tax	60,000
iv) Provision for gratuity on actuarial basis	1,50,000
v) Dividend declared	2,40,000
vi) Expenditure to earn agriculture income	1,00,000
vii) Depreciation (this includes depreciation of Rs. 2,00,000 on revaluation of assets)	4,50,000

B) Items added in statement of profit and Loss :

i) Transfer from special reserve	2,00,000
ii) Agriculture income	4,00,000
iii) Brought forward business loss as per the books of account	8,00,000
iv) Brought forward depreciation as per books of account	7,00,000

You are required to compute :

- i) Tax payable by the company.
- ii) Tax credit to be carried forward, if any.

Turn over

10. A company requires a component. From the following information suggest to the company whether it should make the component or buy it from the market :

A) Making the Component :

1. A new machine will be purchased for Rs. 20,00,000. After 5 years it will be sold for Rs. 4,00,000. If there is any loss on sale of machine, it will be set off against any other short term capital gain.
2. Rate of depreciation 15%
3. Manufacturing cost of component :

Year	Amount (Rs.)
1st Year	28,00,000
2nd Year	32,00,000
3rd Year	36,00,000
4th Year	40,00,000
5th Year	48,00,000

4. Rate of Tax 40%

B) Buying the Component :

Year	Amount (Rs.)
1st Year	40,00,000
2nd Year	44,00,000
3rd Year	48,00,000
4th Year	52,00,000
5th Year	60,00,000

11. A Ltd. wants to acquire an asset costing Rs. 10,00,000. It has two alternatives. The first one is buying the asset by taking a loan of Rs. 10,00,000 repayable in five installments of Rs. 2,00,000 each with interest @14% p.a.. The second one is leasing the asset for which annual lease rental is Rs. 3,00,000 up to five years. The lessor charges 1% as processing fees in the first year. Assume the interest rate return to be 10%. The present value factors are :

Year	:	1	2	3	4	5
PV Factor	:	0.909	0.826	0.751	0.683	0.621

Assume lease rentals, processing fees, loan as well as interest amount are payable at year end. Suggest which alternative is better for the company. Take rate of depreciation @ 15%, tax rate at 31.2%.

(3 × 15 = 45 marks)