



K. L.E.SOCIETY'S
SHRI MRITYUNJAYA COLLEGE OF ARTS & COMMERCE, DHARWAD
Accredited with A+ Grade by NAAC at 4th Cycle

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M.COM. 2nd SEM -CBCS- QUESTION PAPERS SEPT 2022

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3403—II S COM (N)—Sep. 2022

SECOND SEMESTER M.Com. DEGREE EXAMINATION, SEPTEMBER 2022

(C.B.C.S.)

Commerce

PG 63 T 201—FINANCIAL REPORTING STANDARDS

Time : Three Hours

Maximum : 75 Marks

Use of Calculator, Log table and Financial table is permitted.

Section A

Answer any six sub-questions.

Each sub-question carries 2 marks.

1. a) Distinguish between financial reporting and management reporting.
- b) Define Asset.
- c) State the need of accounting standards in India.
- d) Define inventories as per Ind AS 2.
- e) What are properly as per Ind As 16 ?
- f) What are employee benefits ?
- g) Give the meaning of impairment of assets.
- h) What is an intangible asset ?
- i) Define intrinsic value.
- j) State the reasons for issuing Ind As 105.

(6 × 2 = 12 marks)

Section B

Answer any three questions.

Each question carries 6 marks.

2. What are the types of accounting frauds in financial reporting ? Explain in brief.
3. Explain the process followed in developing accounting standard in India.

Turn over

4. At the commencement of the year 2018, Milestones Ltd, estimates expected long term return on plan assets as follows :

Interest and dividend income (after tax)

receivable by the fund ... 9% p.a.

Realised and unrealised gain in plan

assets (after tax) ... 2%p.a.

Administrative costs ... 1% p.a.

Discount rate ... 10% p.a.

The fair value of the plan assets as on 1-1-2018 was ₹ 15,000. During the year ₹4,000 is contributed to the fund and ₹2,000 is paid out of the fund towards employee benefits. The fair value of assets as at 31-12-2018 is ₹18,500. Calculate the actual return, expected return and actuarial gain/loss.

5. AD softex made the following borrowings :

Borrowing	Date of borrowing	Amount (₹)	Purpose	Related Expense (₹)
15% term loan	1-1-2018	6,00,000	General	50,000
14.5% term loan	1-7-2018	4,00,000	Specific to acquisition of plant and machinery	20,000
14% term loan	1-10-2018	5,00,000	General	40,000

Qualifying assets for borrowing are :

Factory shed ... ₹1,00,000

Plant and machinery ... ₹9,00,000

Other fixed assets ... ₹1,00,000

11,00,000

Assume that the project is ready for commercial production as on 1-10-2019. How the borrowing cost should be capitalised ?

6. Z Ltd. entered into the following transactions during the year ended 31-12-2018 :

- a) Entered into speculative interest rate option costing ₹10,000 on 1st Jan 2010 to borrow ₹60,00,000, from ICICI bank commencing 31-3-2012 for 6 months at 4%. The value at the option at 31-12-2010 was ₹15,250.
- b) Purchased 6% debentures in Y Ltd. on 1-1-2010 (their issue date) for ₹1,50,000 as an investment Z Ltd. intends to hold the debentures until their redemption at a premium in 5 years time. The effective rate of interest of the bond is 8%.
- c) Purchased 50,000 shares in X Ltd. on 1st July 2010 for ₹3.50 each as investment. The share price on 31-12-2010 was ₹3.75 :

You are required to show the accounting treatment and relevant extracts from the financial statement for the year ended 31-12-2010. Z Ltd. only designates financial assets as at fair value through profit/loss where this is unavoidable.

(3 × 6 = 18 marks)

Section C

Answer any three questions.

Each question carries 15 marks.

7. Discuss the characteristics of a good financial reporting.
8. Explain applicability, recognition, measurement and disclosure of cash flow statement as per Ind AS 7.
9. ABC ltd. imported a machine from Germany at a cost of Euros 1,50,000. The exchange rate at the time of import was ₹55 for 1 Euro. Customs duty was paid at 25% on its cost. The customs dept. applied a standard exchange rate of ₹52 for 1 Euro for purpose of computation other port charges, inward transport and octroi amounted to ₹2,00,000.

An engineer was invited from Germany for installation. His fees and expenses came to 3,00,000 plus 10,000 Euro. This was remitted at ₹56 per 1 Euro.

Turn over

A loan of ₹ 50,00,000 was taken for the acquisition of the machine at an interest of 8% per annum. The loan was disbursed in 1st Sept 2016. The exchange rate was ₹55.80 for 1 Euro on this date. The machine was installed and put to commercial use on 01-02-2017. Depreciation is charged in straight line basis in the books of account at 13.91% per annum. The exchange rate 31-3-2017 was ₹57 for 1 Euro. The exchange on 31-3-2018 was ₹59 for 1 Euro 10% of the loan was repaid on 1-10-2017. The exchange rate ₹57.75 on this day.

From the above information workout the following :

- a) Original cost of the machine.
 - b) Depreciation for the financial year 31-3-2017.
 - c) Book value as on 31-3-2017.
 - d) Exchange rate differences if any charged to profit and loss account for the financial year end 31-3-2017.
 - e) Depreciation for financial year 31-3-2018.
 - f) Book value as 31-3-2018.
 - g) Exchange rate difference if any to be charged to P & L A/c for the year 31-3-2018.
10. a) X Ltd. acquired a patent right for ₹50,00,000 for a period of 20 years. It has been decided to amortise the cost on straight line basis. An active market for the patent existed during the first five years which were as follows :

Year end		₹(In lakhs)
1	...	48
2	...	47
3	...	41
4	...	40
5	...	37

Give your advice on accounting treatment.

- b) An enterprise is enjoying a mining right for a period of 10 years and paid license fees of ₹100 lakhs. Accordingly the useful life of the license is limited to a finite period and so the amortisation period should be 10 years. Given below is the pattern of expected production over the period and expected net operating cash flow. It is assumed that initially net operating cash flow per thousand tons is ₹2,50,000 and there after introduction of more sophisticated material handling devices from year 3 net operating cash flows per thousand tons is expected to be increased to ₹3,00,000.

Year	1	2	3	4	5	6	7	8	9	10
Production (000 tonnes)	100	150	200	250	250	250	250	250	250	250
Net operating Cash flow (₹Lakh)	250	375	600	750	750	750	750	750	750	750

Give your advise on amortisation of the right.

11. On January 1 year 1, GK Ltd. (parent) acquired 100% of OK Ltd. GK Ltd. issued 1,00,000 equity shares of ₹10 per share with a market price of ₹15 on the date of the acquisition was announced and ₹25 on date the acquisition completed for all OK Ltd's equity shares :

On the date the fair value at OK Ltd.'s assets and liabilities equaled their respective carrying amounts with the exception of land, which had a fair value that exceeded its book value by ₹2,00,000.

The fair value of OK Ltd's identifiable intangibles (in process R & D) is ₹1,00,000. The inprocess R and D will be amortised out a useful life of 8 years.

For the year ending December 31, year 1, OK Ltd. reported net income of ₹3,50,000 and paid cash dividends of ₹1,50,000.

The shareholders equity of companys balance sheet as of 31st December year 1 was :

		GK Ltd. (₹)	OK Ltd. (₹)
Equity shares	...	50,00,000	10,00,000
Securities premium	...	10,00,000	4,00,000
Retained earnings	...	30,00,000	5,00,000
		<u>90,00,000</u>	<u>19,00,000</u>

Required :

- a) Determine the carrying/book value of the subsidiary at the date of acquisition.
- b) Determine the acquisition price (investment in subsidiary).
- c) Determine the fair value of any non-controlling interest.
- d) Determine the balance sheet accounts fair value adjustments.
- e) Determine the fair value of any identifiable intangible assets.
- f) Determine the amount of goodwill.

(3 × 15 = 45 marks)

(Pages : 4)

3404—II S COM—Sep. 2022

SECOND SEMESTER M.Com. DEGREE (C.B.C.S.) EXAMINATION, SEPTEMBER 2022

Commerce

**Paper—PG 63 T 202—MERGERS, ACQUISITIONS AND CORPORATE
RESTRUCTURING**

Time : Three Hours

Maximum : 75 Marks

*Use of present value and Statistical tables is allowed.
Use of simple calculators is permitted.*

Section A

*Answer any six of the following questions.
Each question carries 2 marks.*



1. a) How mergers create synergy value ?
- b) What are upstream and downstream mergers ? Give examples.
- c) Recently SBI subsidiary banks were merged with SBI. Name all of them.
- d) Give meaning and reasons for industry clustering of mergers.
- e) State how 'inefficient management' theory is an explanation for conglomerate mergers.
- f) Which exchange ratio keeps EPS unchanged ?
- g) What are spin offs ? State recent examples.
- h) Give meaning and forms of equity restructuring.
- i) Why do firm issue 'Equity shares without voting rights' ?
- j) Give meaning of MBO.

(6 × 2 = 12 marks)

Turn over

Section B

Answer any **three** of the following questions.

Each question carries 6 marks.

2. Explain the concept of 'industrial shocks'. What are industrial shocks that trigger merger waves ?
3. Give meaning of the diligence in mergers. Bring out its importance.
4. Narayan Ltd. is intending to acquire Krishna Ltd. by way of merger and the following information is available in respect of these companies :

	Narayan Ltd.	Krishna Ltd.
No. of Equity shares	10,00,000	6,00,000
EAT (₹)	50,00,000	18,00,000
Market value per share(₹)	42	28

- i) What is the present EPS of both the companies ?
 - ii) If the proposed merger takes place by exchange of equity shares based current market price, what would be the new EPS ?
 - iii) What exchange ratio keeps EPS exchanged ?
5. Dwarka Ltd. was referred to NCLT by its primary creditors for debt restructuring. The following information is available on its existing debt :

	₹ (in Lakhs)
Special assistance By banks	... 150
Commercial loans	... 250
8% debentures	... 600
Equity	... 500

On reference to it, the NCLT prepared the following proposals :

- i) To issue new debentures in exchange of existing debentures at 6% and at 50% value. The remaining 50% was repaid immediately.
- ii) Commercial loan was paid to the extent of Rs. 100 lakhs in full settlement.
- iii) Special assistance was waived.

Find new debt-equity ratio.

6. Gokul Ltd. is all-equity financed firm in automobile firm in India. It recently undertook several restructuring measures. Some of them were :

- Sale of excess assets with a book value of ₹120 Cr for ₹150 Cr.
- Split of its existing equity share capital of ₹10 each into ₹2 each. Total number of shares was 10 Cr. and existing market price was ₹45 per share.
- Issued equity equivalent debt capital to augment its capital base carrying 6.2% interest rate.

Find :

- Total cash flow generated.
- No. of equity shares outstanding.
- Market price per share and in total.
- Debt-equity ratio.

(3 × 6 = 18 marks)

Section C

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

- List out all motives for corporate mergers. Which motive should prevail in mergers and explain it in detail ?
- Describe the following takeover defensive mechanism :
 - Golden parachutes.
 - Pacman defense.
 - Fatman strategy.
 - Staggered boards.
- Tatu Ltd. wants to takeover Mantu Ltd. and has offered a swap ratio of 1 : 2 (0.5 shares for every one share of Mantu Ltd. Following information is provided :

	Tatu Ltd.	Mantu Ltd.
Profit after tax	₹24,00,000	₹4,80,000
Equity shares outstanding (Nos.)	8,00,000	2,40,000
EPS	₹3	₹2
PE ratio	10 times	7 times
Market price per share	₹30	₹14

You are required to calculate :

- The number of equity shares to be issued by Tatu Ltd. for acquisition of Mantu Ltd.
- What is the EPS of Tatu Ltd. after the acquisition ?
- Determine the equivalent earnings per share of Mantu Ltd.
- What is the expected market price per share of Tatu Ltd. after the acquisition, assuming its P/E multiple remains unchanged ?
- Determine the market value of the merged firm.

Turn over

10. An established company is going to be demerged in two separate entities. The valuation of the company is done by a well-known analyst. He has estimated a value of ₹5000 lakhs, based on the expected free cash flow for next year of ₹200 lakhs and an expected growth rate of 5%. While going through the valuation procedure, it was found that the analyst had made the mistake of using the book values of debt and equity in his calculation. While you do not know the book value weights be used, you have been provided with the following information :
- The market value of equity is 4 times the book value of equity while the market value of debt is equal to the book value of debt.
 - Company has a cost of equity of 12%.
 - After tax cost of debt is 6%.
- You are required to advise the correct value of the company.
11. Murali Ltd. and Basuri Ltd. are in the same industry. The former is in negotiation of the latter. Important information about the two companies as per the latest financial statements is given below :

	Murali Ltd.	Basuri Ltd.
	12 lakhs	6 lakhs
₹10 Equity shares outstanding		
Debt :		
10% debentures (₹lakhs) ...	580	—
12.5% Institutional loan ...	—	240
EBIDAT(₹lakhs) ...	400.86	115.71
Market price/share(₹) ...	220.00	110.00

Murali Ltd. plans to offer a price for Basuri Ltd. business as a whole which will be 7 times EBIDAT reduced by outstanding debt, to be discharged by own shares at market price.

Basuri Ltd. is planning to seek one share in Murali for every 2 shares based on the market price. Tax rate for the two companies may be assumed as 30%.

Calculate and show the following under both the alternatives—Murali's offer and Basuri Ltd.'s plan :

- Net consideration payable.
- NODE shares to be issued by Murali Ltd.
- EPS of Murali Ltd. After acquisition.
- Expected market price per share of Murali Ltd. after acquisition.
- State briefly the advantages to Murali Ltd. from the acquisition.

(3 × 15 = 45 marks)

(Pages: 3)

3407—II S COM (N)—Sep. 2022

SECOND SEMESTER M.Com. DEGREE (C.B.C.S.) EXAMINATION, SEPTEMBER 2022

Commerce

PG 63 T205—ECONOMIC ANALYSIS FOR MANAGERIAL DECISIONS

: Three Hours

Maximum : 75 Marks

Use of Calculator, log table and financial table is permitted.

Section A

Answer any six sub-questions.

Each sub-question carries 2 marks.

1. (a) State any two objectives of Managerial Economics.
- (b) What are the criticisms of profit maximisation objective of firm.
- (c) Distinguish between increase in demand and extension in demand.
- (d) State the relationship between price elasticity of demand and marginal revenue.
- (e) What is Iso-quant ?
- (f) State the reasons for increasing returns to scale.
- (g) What is marginal cost ?
- (h) Define pure monopoly.
- (i) What is perfect competition ?
- (j) State any two basic location principles.

(6 × 2 = 12 marks)

Section B

Answer any three questions.

Each question carries 6 marks.

2. Discuss satisfactory level of profits objective of a firm.
3. Explain the impact of technological change on production function.

Turn over

4. The demand function of ABC Company is given below :

$$P = 50000 - 4Q$$

- (a) Write the Marginal Revenue and Total Revenue Equation.
- (b) At what price and quantity Marginal Revenue will be zero ?
- (c) At what price and quantity Total Revenue be Maximised ?

5. The following is the production function of a firm :

$$Q = 6L^2 - 0.4 L^3$$

where Q = Output L = Labour.

- (a) Determine Marginal Product of Labour.
 - (b) Determine Average Product of Labour.
 - (c) Determine the value of labour that maximises output.
 - (d) Determine the value of labour at which the average product is maximum.
6. A discriminating monopolist is selling a product in two separate market and the demand functions are :

$$P_1 = 12 - Q_1$$

$$P_2 = 20 - Q_2$$

The Total cost function is :

$$TC = 3 + 2Q.$$

As an economic advisor, you are asked to determine the prices to be charged in the two markets and the amount of output to be sold in each market so that profits are maximised. You are also asked to calculate the total profits to be made from the strategy of price discrimination what advise will you give ?

(3 × 6 = 18 marks)

Section C

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

7. Explain the principles of Managerial Economics used in Managerial decisions.
8. Explain the factors to be considered before the selection of site for industrial location.

9. The following is the demand function in domestic market and international market of XYZ Company for 2022 :

$$P_D = 200 - 0.002 Q$$

$$P_I = 160 - 0.004 Q$$

Where P_D = Price in Domestic Market.

P_I = Price in International Market.

Estimate the Quantity Demanded in Domestic Market and International Market and total if price is :

- (a) 100 ; (b) 95 ; (c) 90 ; (d) 85 ; (e) 80 ; (f) 75 ; (g) 70 ; (h) 65 ; (i) 60 ; (j) 55 ; and (k) 50.

10. Total Cost Function of Airbus and Embraer, Aircraft and Boeing Aircraft are as follows :

$$TC \text{ of Airbus} = ₹ 1,00,00,000 + 3,50,00,000 Q + 2,50,000 Q^2$$

$$TC \text{ of Embraer} = ₹ 20,00,00,000 + 2,00,00,000 Q + 5,00,000 Q^2$$

$$TC \text{ of Boeing} = 4,00,00,00,000 + 50,00,000 Q + 62,500 Q^2$$

Industry demand function for this type of set aircraft is :

$$Q = 910 - 0.000017 P$$

$$\text{Boeing's TR} = 5,00,00,000 Q - 50,000 Q^2$$

- Determine the supply curve for Airbus and Embraer Aircraft assume that firms operate as price taken.
 - Determine the demand curve and Boeing who is a Industry leader.
 - Calculate the profit maximising price and output levels of Boeing Aircraft.
 - Calculate profit maximising level of output of Airbus and Embraer Aircraft.
 - Is the market for aircraft from these three firms in the short-run and long-run equilibrium.
11. The following is the total cost function of X Ltd :

$$TC = 100 + 50 Q - 12 Q^2 + Q^3$$

where TC is total cost and Q is level of output.

- Determine (i) Total fixed cost function ; (ii) Total variable cost function ; (iii) Average variable cost function ; (iv) Marginal cost function.
- Calculate the level of output at which Average variable cost is minimum.
- Determine total variable cost, Average variable cost marginal cost and total cost using the level of output as calculated (b) Above.

(3 × 15 = 45 marks)

(Pages : 2)

3406—II SCOM (N)—Sep. 2022

SECOND SEMESTER M.Com. DEGREE (C.B.C.S.) EXAMINATION, SEPTEMBER 2022

Commerce

Paper 2.4—STRATEGIC HUMAN RESOURCE MANAGEMENT

Time : Three Hours

Maximum : 75 Marks

Section A

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

- a) What do you mean by HR strategy ?
- b) Give meaning of organisational development.
- c) What is balanced score card ?
- d) State the meaning of employee engagement.
- e) What is strategic choice ?
- f) State any three differences between SHRM and traditional HRM.
- g) What do you mean by outsourcing ?
- h) Mention contingency approaches in HR.
- i) What is 360 degree appraisal ?
- j) Give meaning of 'expatriates'.

(6 × 2 = 12 marks)

Section B

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

2. Explain briefly challenges in SHRM.
3. What are individual learning strategies ?
4. State in detail the elements of effective performance appraisal system.
5. How do you build a multi cultural organisation ?
6. How do you evaluate talent management in organisation ?

(3 × 6 = 18 marks)

Turn over