Q.P. Code : 60586

Fourth Semester M.Com. Degree Examination, September/October 2020

(CBCS – 2014-2015 onwards)

Commerce

Paper 4.1 – COMMODITY MARKET

Time : 3 Hours] *[Max. Marks : 70*

Instructions to Candidates : Answers all the Sections.

SECTION – A

I. Answer any **SEVEN** questions out of **TEN**. Each question carries **2** marks : **(7 × 2 = 14)**

(a) What is commodity options?

(b) What is commodity grading?

(c) What is BIS?

(d) What is jugging?

(e) Define hedging.

(f) Define price discovery.

(g) Define arbitrage.

(h) Define Spot exchange.

(i) Define forward contract.

(j) Define mark to market (MTM).

SECTION – B

II. Answer any **FOUR** questions out of **SIX**. Each question carries **5** marks : **(4 × 5 = 20)**

2. Describe the features of multi commodity futures exchange setup in India. Explain the initiatives taken by it.

3. What are the major characteristics of bullion commodity?

4. What do you understand by hedging? Explain long and short hedging. How can hedging optimized?

5. Explain the important elements of quality assurance systems in minerals.

6. What are the compliance requirements that members are required to enter into with clients?

7. Explain the essentials of commodity market Act.

SECTION – C

III. Answer any **THREE** questions out of **FIVE** questions. Each question carries **12** marks : **(3 × 12 = 36)**

8. Explain in detail the cause and effects of the failure of national spot exchange.

9. Explain the role of warehouses in facilitating the process of delivery of commodities.

10. Discuss in detail issues of quality assurance in respect of agricultural commodities trade on NEM.

11. Explain the importance of derivative market.

12. Explain the clearing and settlement procedure at NCDEX.

Q.P. Code : 60587

Fourth Semester M.Com. Degree Examination, September/October 2020

(CBCS Scheme – 2014-15)

Commerce

Paper 4.2 — CORPORATE REPORTING PRACTICES AND IND AS

Time : 3 Hours] *[Max. Marks : 70*

Instructions to Candidates : Answer all the Sections.

SECTION – A

1. Answer any **SEVEN** sub-questions out of Ten. Each sub-question carries **2** marks : **(7 × 2 = 14)**

(a) What do you mean by cross holdings?

(b) What is meant by joint control?

(c) What is the meaning of IFRS?

(d) What is reinsurance contract?

(e) Give the meaning of capital Reserve.

(f) What are bonus shares?

(g) What is holding company?

(h) What do you mean by contingent consideration?

(i) What is biological transformation under IND AS 41?

(j) What is meant by financial guarantee contract under IND AS 104?

SECTION – B

Answer any **FOUR** questions out of Six. Each question carries **5** marks : **(4 × 5 = 20)**

2. What is meant by Generally Accepted Accounting principles for uniform acceptance, what are the characteristics of accounting principles?

3. What are the practical challenges in implementation of IFRS?

4. Explain in brief different varieties of merger.

5. Explain the two principal methods of accounting for mergers and acquisitions.

6. What is initial gain or loss on biological assets under IND AS 41?

7. How do you identify a business combination under acquisitions method?

SECTION – C

Answer any **THREE** questions out of Five questions. Each question carries **12** marks : **(3 × 12 = 36)**

8. Explain the treatment of investment in joint venture in consolidated financial statement.

9. Explain the classification of movements in regulatory deferral account balances.

10. Given below is the extract of Balance Sheets of X Ltd and Y Ltd as on 31st March 2018. Y Limited was merged with X Ltd. w.e.f. 31st March, 2018.

Balance sheets as on 31.03.2018 (before merger)

Liabilities	X Ltd	Y Ltd	Assets	X Ltd	Y Ltd
Share capital			Fixed Assets		
Equity share			Sundry fixed		
of Rs. 10 each	7,00,000	2,50,000	assets tangible	9,50,000	4,00,000
Reserves and			Investments		
Surplus			-non trade	2,00,000	50,000
General Reserve	3,50,000	1,20,000	Current Assets		
Profit and Loss a/c	2,10,000	65,000	Stock	1,20,000	50,000
Export profit reserve	70,000	40,000	Debtors	75,000	80,000
12% debentures	1,00,000	1,00,000	Advance tax	80,000	20,000
Sundry creditors	40,000	45,000	Cash and Bank	2,75,000	1,30,000
Provision for			Preliminary		
Taxation	1,00,000	60,000	Expenses	10,000	–
Proposed dividend	1,40,000	50,000			
Total	17,10,000	7,30,000		17,10,000	7,30,000

Other information's :

X Ltd would issue 12% debentures to discharge the claims of the debenture holder of Y Ltd at par. Non trade investments of X Ltd fetched at 25% while those of Y Ltd fetched at 18%. Profit (pre – tax) by X Ltd and Y Ltd during 2016-17 and 2017-18 were as follows :

Year :	X Ltd	Y Ltd
2016-17	5,00,000	1,50,000
2016-17	6,50,000	2,10,000
2017-18	5,75,000	1,80,000

Goodwill may be calculated on the basis of capitalization method taking 20% as the pre-tax normal rate of return. Purchase consideration is discharged by X Ltd on the basis of intrinsic value per share.

Both companies decided to cancel the proposed dividend.

Prepare Balance Sheet of X Ltd after merger.

11. Explain in detail the provisions of IND AS 101.

12. Explain treatment of pre-acquisition profit and concept of Fair value at the time of acquisition.

Q.P. Code : 60588

Fourth Semester M.Com. Degree Examination, September/October 2020

(CBCS Scheme – 2014-15)

Commerce

Paper 4.3 — STRATEGIC COST MANAGEMENT – II

Time : 3 Hours] *[Max. Marks : 70*

SECTION – A

1. Answer any **SEVEN** of the following sub-questions (in about **3** to **4** lines). Each sub-question carries **2** marks : **(7 × 2 = 14)**

   (a) Mention any two objectives of transfer pricing.

   (b) What do you mean by Benchmarking?

   (c) What are the phases of learning curve?

   (d) Outline the steps involved in full cost pricing?

   (e) List out the advantages of strategic cost management.

   (f) Define TQM.

   (g) What do you mean by customer perspective in Balanced Score Card?

   (h) State any four features of Marginal costing.

   (i) What is Experience Curve?

   (j) What are cost of lost opportunities?

SECTION – B

Answer any **FOUR** of the following in about one page. Each question carries **5** marks : **(4 × 5 = 20)**

2. Explain the role of Management Accountant in product pricing.

3. What are the benefits and limitations of transfer pricing?

4. "The learning curve will pass through three different phases". Discuss.

5. ABC Co fixed the inter-divisional transfer prices for its product on the basis of cost plus a return on investment in division. The budgets for the Division A for 2019-20 is as follows :

Fixed Assets	Rs. 2,50,000
Current Assets	Rs. 1,50,000
Debtors	Rs. 1,00,000
Annual fixed cost of the Division	Rs. 4,00,000
Variable cost per unit of the product	Rs. 10

Budgeted volume 2,00,000 units per year

Desired ROI 28%

Determine the transfer price for Division A.

6. A company wants to manufacture a new product against order. The initial trails showed that the first unit would take 10 hours @ Rs. 15 per hour and that the operations would be subjected to a learning curve of 80%. The cost of materials per unit is Rs. 200 and overheads amount to 150% of labour cost.

The first order received is for eight units of the product. What price should that firm quote to get a margin of 20% on sales?

7. Explain the procedure in the implementation of cost of quality report.

SECTION – C

Answer any **THREE** of the following questions. Each question carries **12** marks : **(3 × 12 = 36)**

8. Discuss the issue involved in transfer pricing.

9. Briefly explain the applications of learning curve and explain the Managerial considerations in the use of Learning curve.

10. "Balance score card are necessary for today's business executives to be able to plan, execute and achieve their business strategies". Discuss.

11. Vinayak Ltd. has two manufacturing divisions, AD and CD. Each division operates as an independent profit centre.

AD which produces two components BRITE and LITE has a capacity of 1,00,000 hours per annum. The annual fixed overheads of this department amounts to Rs. 20,00,000. The product wise variable cost data are as under :

Particulars	BRITE	LITE
Direct materials	10	5
Direct labour and variable overheads	140	35
Total	150	40

The direct labour and variable overhead rate is Rs. 35 per hour.

AD has a permanent customer for the purchase of 15,000 units of BRITE per annum at a selling price of Rs. 30 per unit. The balance capacity is devoted to the production of LITE for which there is an unlimited sales potential at Rs. 60 per unit.

CD assembles a product known TITE by using an imported component. The annual fixed overheads of this division amount to Rs. 4 lakhs and the variable cost data per unit are as under :

	TITE Rs/unit
Imported component	300
Direct materials	40
Direct labour and variable overheads (10 hours @ Rs. 25)	250
Total	590

The selling price of TITE is Rs. 700 per unit.

With a view to minimizing the dependence on imported components, the possibility of using the company's own component BRITE, which is similar to the imported component, was explored. The import substitution is possible with sligh modification in the manufacture of TITE which in that case will take extra 2 labour hours per unit. This means an increase of Rs. 50 in variable costs per unit of TITE. CD envisages a production of 5,000 units per annum of TITE.

You are required to present the divisionwise profitability and the profitability of the company as a whole on the basis of the following conditions :

(a) CD imports its requirement of 5,000 components for the manufacture of TITE.

(b) CD stops import and substitutes BRITE by drawing 5,000 units of BRITE from AD at the market price of Rs. 300 per unit.

(c) Same situation as in (b) above except that CD gets a relief of Rs. 50 per unit (net transfer price to CD is Rs. 250 per unit) of BRITE to compensate the increased labour and variable overhead cost of CD.

(d) CD revises its production programme to manufacture 12,000 units of TITE by drawing 10,000 units of BRITE from AD at Rs. 250 per unit and imports the balance of 2,000 units of components at Rs. 300 per unit. Due to installation of additional production capacity, the annual fixed overhead of CD would increase by Rs. 7,70,000. In order to induce CD to the expansion programme. Do you think a negotiated transfer price of Rs. 240 for BRITE would be agreed by AD?

Give reasons and also comment on the best alternative among above four for the company as a whole.

12. Goodluck Ltd. makes a product, which has the standard marginal cost, as below :

Direct materials	50.00
Direct wages	37.50
Variable production overhead	6.25
Total	93.75

The annual budget, further, indicates output in units 80,000

Fixed overhead :

Production	50,00,000
Administration	30,00,000
Marketing	25,00,000

Contribution 1,25,00,000

The company's management desires much better results than projected and wants the following proposals for improved performance to be considered :

(a) Reduce the selling price by 10%, with a prospect of production and sale increasing by 25%. The fixed production overhead will increase by Rs. 2,50,000 and fixed marketing overhead by Rs. 1,25,000.

(b) Increase the selling price by 10%, and increase advertising expenditure from the present outlay of Rs. 5,00,000 to 25,00,000. Sales will go up to 90,000 units. Fixed production overhead will be up by Rs. 1,25,000 and marketing overhead by Rs. 1,00,000.

(c) A profit of Rs. 30,00,000 is desired. A 10% increase in sales can be achieved by increasing advertisement expenditure by Rs. 18,00,000. The fixed production overhead will go up by Rs. 1,25,000 and marketing overhead by Rs. 85,000. What is the selling price required for achieving the desired profit?

(d) A departmental stores is willing to take 20,000 units per annum at a special discount. Existing sales will not be affected. Fixed production overhead will increase by Rs. 2,50,000 per annum. What is the special discount to be offered if by accepting the contract, the company's profit is to go up to Rs. 33,75,000 per annum.

Compile the forecast profit and loss statement pertaining to the above proposals and comment on the outcome of each proposals.

Q.P. Code : 60589

Fourth Semester M.Com. Degree Examination, September/October 2020

(CBCS Scheme – 2014-15)

Commerce

Paper 4.4 — GOODS AND SERVICE TAXES AND CUSTOMS DUTY

Time : 3 Hours] *[Max. Marks : 70*

Instructions to Candidates : Answer all the Sections.

SECTION – A

1. Answer any **SEVEN** questions out of Ten. Each question carries **2** marks : **(7 × 2 = 14)**

(a) What is GST?

(b) How do you treat Air freight and insurance in determination of Assessable value under Customs Act?

(c) Give the meaning of goods.

(d) What is IGST?

(e) What is dual GST module?

(f) Give the meaning of exempted supply.

(g) Give the meaning of inward supply.

(h) What do you mean by reverse charge?

(i) Give the meaning of taxable event.

(j) What is Indian Territorial Waters?

SECTION – B

Answer any **FOUR** questions out of Six. Each question carries **5** marks : **(4 × 5 = 20)**

2. Distinguish between direct and indirect taxes.

3. Explain the advantages and limitations, if any of GST.

4. What is input tax credit? Discuss in brief, utilization of input tax credit in payment of GST.

5. Mr. X of Bengaluru supplies 100 units of Blankets to Mr. Y of Mumbai, at Rs. 5,900/- each including applicable GST @ 18%. The buyer has requested Mr. X to arrange for transporting the goods for which he has reimbursed the cost of Rs. 8,000/- separately you are required to determine the taxable value and GST. Assume both the parties are registered.

6. From the following information, determine the time of supply of goods.

Sl.No.	Date of Removal of goods	Date of Invoice	Date when goods made available	Date when payment received
1	10-10-19	10-10-19	12-10-19	20-10-19
2	8-10-19	11-10-19	9-10-19	05-11-19
3	21-10-19	14-10-19	16-10-19	14-12-19
4	11-11-19	10-11-19	8-11-19	10-10-19 for part 20-12-19 for balance

7. From the following particulars calculate the amount of Input tax credit.

   (a) Purchase of inputs from composition dealer and GST paid Rs. 10,000/-

   (b) Purchase of inputs from interstate and applicable GST thereon Rs. 15,000/-

   (c) GST paid @ 18% on purchase of inputs of Rs. 10,00,000 within state.

   (d) Inputs purchased from within state including GST @ 28% worth Rs. 12,80,000.

   (e) GST paid on reverse charge Rs. 25,000.

SECTION – C

Answer any **THREE** questions. Each question carries **12** marks : **(3 × 12 = 36)**

8. What is GST council? Discuss the functions of GST council.

9. Explain the Registration under GST.

10. The following details are furnished by ABC Ltd Bangalore for the manufacture of heavy machine.

   > Inputs required for the machine are imported from Germany for Rs. 15,00,000 excluding BCD @ 10% and IGST @ 18%

> Raw-material purchased from Pune for Rs. 11,20,000 including GST @ 12%
> Raw-material purchased from Mysore for 1500000 excluding GST @ 18%
> Inputs purchased from composition dealer for Rs. 7,50,000. GST thereon is Rs. 37,500.
> Inputs imported from Japan including BCD @ 10% and IGST @ 28% Rs. 12,80,000.
> Manufacturing cost Rs. 9,50,000.

The machine was supplied at 20% profit as cost rate of GST @ 28%.

Compute transaction value and GST.

11. XYZ Ltd furnishes the following details of GST payable and Input Tax for the month of August 2019. You are required to compute the tax payable for the month by utilizing input tax credit.

Output tax payable for the month :

CGST	Rs. 2,59,567.00
SGST (Karnataka)	Rs. 2,59,567.00
IGST	Rs. 4,25,000.00

Input tax details are :

> Balance as on 1-8-2019 in the electronic ledger :

CGST	Rs. 25,500
SGST	Rs. 29,000
IGST	Rs. 48,750

> Purchased input A from Bengaluru including GST @ 18%	Rs. 1,18,000
> Input B bought from Chennai at the rate of 12% (excluding tax)	Rs. 2,00,000
> Input C bought from Bidar excluding tax @ 28%	Rs. 3,00,000
> Input D bought from Mysore at 12% GST (utilized in manufacture of exempted goods)	Rs. 1,50,000
> Imported raw-material from Malaysia including BCD @ 10% and IGST @ 18%	Rs. 1,29,800
> Inputs purchased from composition dealer @ 5% tax (tax included)	Rs. 1,05,000
> GST paid as Reverse charge	Rs. 20,000

12. Diamond Ltd., an actual user imports certain goods from USA, at Chennai port, at cost of $ 1,00,000 FOB. The other details are as follows :

(a) Packing charges : $ 22,000

(b) Sea freight to Indian port : $ 8,000

(c) Transit insurance : $ 1000

(d) Design and development charges paid to a consultant in USA by importer : $ 9,000

(e) Selling commission to be paid by the Indian Importer : 2% of FOB

(f) Rate of exchange announced by RBI : Rs. 75.60/$

(g) Rate of exchange notified by the Central Board of Excise and Customs Rs. 75.70/$

(h) Rate of basic custom duty : 15%

(i) GST on similar goods in India 18%

(j) Health and Education Cess 4%

Compute the assessable value of the imported goods and the duty payable. How much ITCs can availed by importer, if he is manufacturer.

Fourth Semester M.Com. Degree Examination, September/October 2020

(CBCS Scheme)

Commerce

Paper 4.2 – FOREX MANAGEMENT

Time : 3 Hours] *[Max. Marks : 70*

Instructions to Candidates :

For question 11, natural log tables A_1 and A_2 to be provided to students.

SECTION – A

Answer any **SEVEN** sub-questions. Each sub-questions carries **2** marks : **(7 × 2 = 14)**

1. (a) What do you mean by merchandise quote?

   (b) What is absolute purchasing power parity?

   (c) State the factors that influence exchange rates.

   (d) What is economic exposure?

   (e) What is swap rates?

   (f) Interest rates in India and USA are 10% and 7% respectively. The spot rate is Rs. 72.90/USD. Find 90 days forward rate.

   (g) Distinguish between American options and European options.

   (h) Define forward contract.

   (i) What is bilateral trade?

   (j) Distinguish between LIBOR and LIBID.

SECTION – B

Answer any **FOUR** questions carrying **5** marks each : **(4 × 5 = 20)**

2. Explain the monetary approach to Balance of Payment.

3. Explain the role of authorized persons in Forex market.

4. The following two way quotes appear in the Forex market :
   Rs./USD : Spot Rs. 73.30-73.60 (per USD)
   6 months forward rate : Rs. 73.50-73.80/USD
   (a) Calculate the dollar required to get Rs. 1,00,000 after 3 months
   (b) Rupee needed to purchase USD 200,000 after 3 months.

5. Explain the meaning and features of exchange traded options.

6. From the following data, examine the arbitrage opportunity and find out the profit assuming a borrowing of Rs. 10,00,000 :
   Spot rate – Rs. 73.40/USD ; 6 months forward rate – Rs. 73.70/USD
   Annualised interest rate on 6 month rupee – 8%
   Annualised interest rate on 6 month dollar – 6%

7. From the following particulars, determine 1, 3, 6 and 9 months forward rates.
   Spot rate – Rs. 73.20-73.40 per USD

1 Month Forward	3 Month Forward	6 Month Forward	9 Month Forward
9/12	12/15	10/8	9/7

   Also determine the premium/discount on 6 month forward rate.

SECTION – C

Answer any **THREE** questions. Each question carries **12** marks : **(3 × 12 = 36)**

8. Explain the types of purchasing parity theory and their impact on exchange rates.

9. An Indian importer imports goods worth USD 62500. He expects an appreciation of dollar. So he goes for hedging the risk. The currency market has the following data :
   (a) Spot rate on the date of contract – Rs. 73.00 per USD
   (b) Three months forward rate – Rs. 73.50 per USD
   (c) Strike rate in a three month call option – Rs. 73.60/USD + 5% premium
   (d) Spot rate on the date of payment of the bill – Rs. 73.90/USD.
   Which of the following choices is favorable to importer?
   – Forward contract
   – Call option
   – No hedge.

10. Explain the types of internal hedging and external hedging techniques used by importers and exporters.

11. From the following particulars, find the value of a call option and put option using Black and Scholes model :

    Current stock price – Rs. 120

    Strike price – Rs. 115

    Time period to expiration – 3 months

    Standard deviation of continuously compounded rate of return – 0.60

    Continuously compounded risk free rate of interest – 10%.

12. Explain the features of International Bonds.

Q.P. Code : 60591

Fourth Semester M.Com. Degree Examination, September/October 2020

(CBCS Scheme)

Commerce

Paper 4.3 – INTERNATIONAL FINANCIAL INSTITUTIONS AND MARKETS

Time : 3 Hours] *[Max. Marks : 70*

Instructions to Candidates : Answers all questions.

SECTION – A

Answer any **SEVEN** sub-questions. Each sub-questions carries **2** marks : **(7 × 2 = 14)**

1. (a) Distinguish between intrinsic value and time value of call option.

(b) What are caps and floors?

(c) What is cross currency quote?

(d) What is exchange rate risk?

(e) What are GDR's?

(f) Distinguish LIBOR and LIBID.

(g) State three world's major stock exchanges.

(h) What is Value at Risk (VaR)?

(i) Distinguish between Direct and Indirect quote.

(j) What is black hole in a market?

SECTION – B

Answer any **FOUR** questions carrying **5** marks each : **(4 × 5 = 20)**

2. Explain the functions of Forex market.

3. Define Balance of Payment. Explain the components of Balance of Payment.

4. Distinguish between domestic and international capital markets.

5. Explain the advantages of correspondent banking.

6. Write a detailed note on Euro bonds.

7. Distinguish between OTC and exchange traded options.

SECTION – C

Answer any **THREE** questions. Each question carries **12** marks : **(3 × 12 = 36)**

8. Explain the role of ECGC in protecting the interests of exporters.

9. Companies A and B have been offered the following rates per annum on a \$ 20 million 5 years loan :

Particulars	Fixed Rate	Floating Rate
Company A	5%	LIBOR + 0.1%
Company B	6.40%	LIBOR + 0.6%

Company A requires a floating rate loan and Company B requires a fixed rate loan. Design a swap that will net a bank acting as an intermediary, 0.10% p.a. that will appear equally attractive to Companies A and B.

10. Explain natural hedges and contractual hedges as hedging techniques to hedge exchange rate risk.

11. Bring out the differences between International Bonds and Euro Bonds.

12. Write short note on :

(a) Exchange traded options

(b) Money market hedge

(c) Loan syndication.

Q.P. Code : 60592

Fourth Semester M.Com. Degree Examination, September/October 2020

(CBCS Scheme)

Commerce

Paper 4.4 – BANKING OPERATIONS AND MANAGEMENT

Time : 3 Hours] *[Max. Marks : 70*

SECTION – A

Answer any **SEVEN** sub-questions. Each sub-question carries **2** marks : **(7 × 2 = 14)**

1. (a) What are payment banks?

   (b) Define non-performing assets.

   (c) What is operational risk in banks?

   (d) What is a confirmed letter of credit?

   (e) Define repo rates and reverse repo rates.

   (f) What is packing credit finance to exporters?

   (g) What is EEFC account?

   (h) What are small finance banks?

   (i) What are exposure norms for banks?

   (j) What is maturity ladder?

SECTION – B

Answer any **FOUR** questions carrying **5** marks each : **(4 × 5 = 20)**

2. Explain the components of SLR securities in banks.

3. Explain the importance of retail banking.

4. Explain the role played by Monetary Policy Committee.

5. Explain any three new technologies introduced in banking system.

6. Explain the importance of segmenting banking business.

7. What is correspondent banking? Explain the importance of the same in international business.

SECTION – C

Answer any **THREE** questions. Each question carries **12** marks : **(3 × 12 = 36)**

8. Explain in detail the IRAC norms implemented in banks.

9. Explain in detail the capital adequacy norms with specific reference to Basel III recommendations.

10. Effective credit management ensures quality of credit. Discuss.

11. Asset Liability Management is a risk management tool. Explain.

12. Write short note on :
    (a) Doubtful assets
    (b) Rate sensitive assets and liabilities
    (c) FCNR accounts