

Question Paper Set of

T.Y.B.F.M. – Sem-V

Regular Exam

University of Mumbai

December, 2022

TYBFM

(2½ Hours)

Marks: 75

NB:

1. All questions are compulsory.
2. Figures to right indicate marks.

Q1A) Match the Columns (any 8 out of 10)

(8)

1. Elliot Wave theory
2. Hammer candlestick
3. Gap
4. Dow theory
5. Relative Strength Index (RSI)

6. Point & Figure charts
7. Day trading
8. Moving averages
9. Stop loss
10. Shooting star

- a) No trading zone
- b) Lagging indicator
- c) Columns of X's and O's
- d) Overnight risk
- e) Primary, Secondary, Daily movements
- f) Leading indicator
- g) Risk management method
- h) Bearish candlestick
- i) Bullish candlestick
- j) Dominant & corrective trend

Q1B) State whether True or False. (any 7 out of 10)

(7)

1. As the value of the oscillator approaches the upper extreme value, the asset is deemed to be oversold.
2. Secondary movements run counter to the primary trend and are reactionary in nature.
3. Common gap occurs when the price action is breaking out of their trading range or congestion area.
4. Bearish engulfing pattern consists of a large white real body that engulfs a small black real body during a downtrend.
5. Wave 3 is never the shortest.
6. Technical analysts assumes that history tends to repeat itself.
7. The trend is considered up when moving average is continuously rising.
8. Primary trend has two Phases; Accumulation & Distribution Phase.
9. If the stock closes higher than its opening price, a green candlestick is drawn.
10. A support line refers to that level beyond which a stock's price will not fall.

Q2 A What are advantages and disadvantages of technical analysis?

(8)

Q2 B Explain in detail the support and resistance.

(7)

OR

Q2 P Explain in detail Head & Shoulder Top and Bottom Pattern.

(8)

Q2 Q Explain in detail Bollinger bands.

(7)

Q3 A What are the Principles of Dow Theory?

(8)

Q3 B Explain in detail RSI.

(7)

OR

Q3 P Explain in detail Money Flow Index.

(8)

Q3 Q Explain in detail Elliot wave theory when markets are declining.

(7)

- Q4 A Explain the benefits of Intraday Trading. (8)
- Q4 B What are the Qualities of Successful traders? (7)
- OR
- Q4 P What are different rules to stop losing money? (8)
- Q4 Q Explain in detail Momentum Trading. (7)
- Q5 A Discuss one bullish and one bearish three candle pattern. (8)
- Q5 B Explain MACD indicator in detail. (7)
- OR
- Q5 Write Short Notes On (any 3) (15)
- a) Ascending triangle
 - b) Simple Moving Average
 - c) Williams %R
 - d) Techniques of day trading
 - e) Bullish Harami
-

TYBFM

Time: 2.30 Mins

Marks 75

Q.1.A) MATCH THE FOLLOWING: (ANY EIGHT)

8

| GROUP A | | GROUP B | |
|---------|-----------------------------|---------|--|
| 1 | Law + Knowledge | A | Voting |
| 2 | Fair trade practices | B | Promoting better governance in India |
| 3 | Ethical issues in Marketing | C | Ethics |
| 4 | Shareholders right | D | Safeguard public procurement from corruption. |
| 5 | NFCG | E | Universal Application |
| 6 | Ethics training | F | Protect interest of all stakeholders |
| 7 | Integrity pact | G | Principal and agent |
| 8 | Corporate Governance | H | Treatment on an equal basis |
| 9 | Agency Theory | I | Misleading advertisement |
| 10 | Fairness | J | Enable employees to deal with ethical problems |

Q.1.A) STATE WHETHER THE STATEMENT IS TRUE OR FALSE: (ANY SEVEN)

7

- 1) Code of conduct gives frame work for ethical policies.
- 2) Ethics training is compulsory as per as per Companies Act, 2013.
- 3) Identifying ethical dilemma is real challenge.
- 4) Organizational climate refers to the moral atmosphere within an organization.
- 5) Corporate governance is an instrument for benefiting all stakeholders of a corporate entity.
- 6) All stakeholders have voting rights.
- 7) Corporate governance ensures the accountability of the directors of the organization
- 8) Corporate governance is the system by which companies are owned and controlled.
- 9) Good governance is a source of competitive advantage and critical to economic and social progress.
- 10) The ethics of marketing covers those issues arising around the employer and employee relationship.

Q.2.A. Define business ethics and explain need of business ethics.

8

B. Explain the scope of business ethics.

7

OR

C. State the primary duties of board of directors.

8

D. What are the duties of independent director?

7

Q.3.A. State the functions of ethics committee. 8

B. Explain in detail the elements of effective ethics training programme. 7

OR

C. What are the benefits of ethics training? 8

D. Explain the benefits of corporate governance. 7

Q.4.A. Explain the role of Institutional investors in corporate governance. 8

B. Explain in detail about SEBI regulation as to investors in corporate governance. 7

OR

C. What is corporate governance? Explain related party transactions. 8

D. Explain challenges of exercising shareholders rights. 7

Q.5.A. What are the various disclosure norms as per clause 49 of listing agreement? 8

B. Describe Emerging trends in corporate governance. 7

OR

Q.5. Write short notes on: (Any Three) 15

a) Organisational climate

b) Code of conduct

c) Audit climate

d) Ethics in Finance

e) Ethics committee

TYBFM

Duration: 2 ½ Hours

Marks: 75

NOTE :- 1. All Questions are compulsory (15 marks each).**2. Figures to the right indicate full marks.****3. Use Simple calculator.****Q.1. [A] Multiple Choice Questions: [Attempt any 8]**

(8)

1. A derivative is a financial instrument whose value depends on the value of _____. (underlying loss/ underlying asset/ underlying profit)
2. Derivatives are also known as _____ instruments (Deferred payment/ initial payment/ speculative payment)
3. _____ has the responsibility of clearing and settlement of all deals executed by Trading members. (NSCCL/ NSE/ BSE)
4. The process of simultaneously buying securities or derivatives in one market at a lower price and selling in another market at higher prices is known as _____. (hedging/ speculation/ arbitrage)
5. _____ is the minimum change that is permitted in future prices. (tick size/ trade size/ lot size)
6. Hedging activity is based on _____ (price risk/ legal risk /operational risk)
7. Basis is the difference between the spot price of the underlying and the _____ of that underlying. (historical price/ current price/ future price)
8. Forward contracts are traded only in _____ market and not in stock exchanges. (OTC/ NSE/ BSE)
9. The _____ mechanism eliminates counterparty risk. (Clearing House/ Banking House/ Corporate House)
10. The intrinsic Value of an option indicates the amount by which an option is _____. (ITM/ ATM/ OTM)

Q.1. [B] Match the Following: [Attempt any 7]

(7)

| Group A | Answers |
|-----------------------------|--------------------------------------|
| 1. Derivative markets | A. Change in spot price |
| 2. MTM | B. Risk Averse |
| 3. Strips & Straps | C. Order in which price is specified |
| 4. Limit order | D. Customized contracts |
| 5. Delta | E. Exercised only on expiry date |
| 6. Call option is exercised | F. Price Discovery |
| 7. European option | G. Option strategies |
| 8. Hedgers | H. Future settlement |
| 9. Option premium-based | E. Price move up |
| 10. Forwards | F. Intrinsic value |

- Q.2 (a) What are derivatives? Briefly explain the features of derivatives. (8)
 (b) What are Financial Derivatives? Explain different types of derivatives. (7)
 OR
- Q.2 (c) Explain the recommendations of the Varma committee on derivatives. (8)
 (d) Briefly explain the origin & development of the derivative market. (7)
- Q.3 (a) Define futures. Explain the various types of future trading strategies. (8)
 (b) An investor took two positions in the future market which are as follows:- (7)
 (i) Sold a futures contract on L & T with a lot size of 400 shares at Rs. 158 spot & at expiry it closed at Rs.162.
 (ii) Bought a future contract on ITC Ltd. with a lot size of 1000 shares at Rs.178 spot & at expiry, it closed at Rs.173.
 Find the net profit or loss for the investor from both positions.
 OR
- Q.3 (c) Explain the following terminologies:- (8)
 (i) Future price (ii) Expiry date (iii) hedging (iv) Tick size
 (d) Distinguish Between Forward and Future Contract. (7)
- Q.4 (a) Explain the concept of the moneyness of options with numerical examples. (7)
 (b) Mrs. Deepa buys 100 put option on Hindalco Ltd. with strike price of Rs.1100. She pays premium of Rs.50 per call. A month later, the stock trades in the market at Rs.1,800. Calculate profit/loss. (8)
 OR
- Q.4 (c) Explain the options Greeks "Delta & Gamma". (8)
 (d) The share of ABC Ltd. is currently available for Rs.300. Expected underlying asset price one year from now will be either up by 30% or down by 25%. The risk-free interest rate is 7%. The exercise price of call option is Rs.310 Calculate the call option price today using single period binomial model. (7)
- Q.5 (a) Explain the margin requirements specified by derivatives exchange. (8)
 (b) Briefly explain the ordering types & conditions. (7)
 OR
- Q.5 Write short notes on the following : (any three) (15)
 (1) Arbitrageurs
 (2) Cost of Carry
 (3) Types of options
 (4) Importance of Clearing House
 (5) Straddles

(2% Hours)

[Total Marks: 75]

- Note: 1) All questions are compulsory.
2) Working Notes should form part of your answer.
3) Figures to the right indicate full marks

Q.1 (A) Match the Column: (any 5)

| Sr.No | Column A | Sr.No | Column B |
|-------|---------------------------------------|-------|---------------------------|
| 1 | Malvani Grahak Panchayat | A | Included in Capital Asset |
| 2 | Salary to Partner in partnership Firm | B | Rs.200000 |
| 3 | Maintenance of Handicapped Dependent | C | Business Income |
| 4 | Equity Shares | D | Rs.300000 |
| 5 | Gratuity | E | Local Authority |
| 6 | Special Bearer Bond | F | Excluded in Capital Asset |
| 7 | Salary of MP/MLA | G | Income from Other sources |
| 8 | Handicapped Resident Individual | H | Association of person |
| 9 | Akhil Bhartiya Mitra Mandal | I | 80 U |
| 10 | Leave Encashment | J | 80DD |

Q.1 (B) State whether True or False from the following and rewrite the statement. (Any 7)

1. Net Annual Value of Self Occupied Property is Zero
2. The amount interest on borrowed capital is allowable as deduction under LOP is Rs.150000.
3. Income means any receipt in Cash.
4. Total income of a person is determined on the basis of this citizenship in India.
5. Cost Inflation Index is applicable in case of Long term capital Asset.
6. Gift received by Mr. Sachin from wife Rs.100000 is fully taxable
7. Entertainment allowance maximum Amount Rs.5000 for deduction under salary
8. Life insurance premium paid is allowed as deduction U/s 80C.
9. Previous year can be less than 12 months.
10. Deduction U/s 80 E is interest on higher education Loan

Q.2 Mr. Rohit who is physically disabled to the extent of 50%, works as a professor in private college. From the following particulars of income provided for the 'previous year ended 31st March 2022. You are required to calculate the net taxable income for the assessment year 2022-23

| Particulars | Rs |
|--|--------|
| Basic Salary | 750000 |
| Dearness Allowance | 250000 |
| Re-imbursement of medical expenses | 18000 |
| Allowances from examination fees work at college | 12000 |
| Advance salary | 50000 |
| Professional Tax paid | 2500 |

Other information:

1. Exam remuneration received from university Rs.10000.
2. Gift from Grandfather Rs.55000.
3. Dividend from Indian Companies Rs.15000.
4. Interest on term deposits with companies Rs.25000.
5. Interest on debentures on Indian companies Rs.10000.
6. He paid medical insurance premium for his dependent son Rs,28000.

OR

Q.2

From the following income of Mr. Abhishek, compute his gross total income for the assessment year 2022-23 if he is:

- (a) Resident and ordinarily resident.
- (b) Non-resident

(15)

| Sr.no | Particulars | Rs |
|-------|--|-------|
| 1 | Income from agricultural in USA | 10000 |
| 2 | Interest from Bank A/c in India | 40000 |
| 3 | Dividend on shares of co-operative bank in India | 60000 |
| 4 | Salary earned and received in Tokyo | 80000 |
| 5 | Income from business in UK controlled from Mumbai | 20000 |
| 6 | Income received in Pakistan for services rendered in India | 22000 |
| 7 | Income from Bonds issued by Indian companies | 24000 |
| 8 | Past untaxed profit earned outside India brought to India | 26000 |
| 9 | Income from Property in Rome received in India | 12000 |
| 10 | Professional Fees earned in India received in Australia | 15000 |

Q.3) Mr. Vilas Naik owns two houses in Mumbai, both of which are used by him for his own residence. The Particulars of these houses are as follows for the previous year ended 31-03-2022.

| Particulars | House 1 (SOP) | House 2 (LOP) |
|----------------------------|------------------|------------------|
| Municipal Valuation | 430000 | 450000 |
| Fair Rent | 450000 | 500000 |
| Municipal Taxes Paid | 4000 | 2000 |
| Repairs | 4000 | 6000 |
| Interest on Borrowed Funds | 60000 | 80000 |
| Loan-taken | 1999 | 2000 |

Further information:

- Accrued Interest on NSC Rs.8000
 - Winning from Lottery Rs.20000.
 - Interest on saving Bank account Rs.5000.
 - Interest on PPF Rs.5000.
 - He also paid medical insurance premium for self by cheque Rs.10000.
- Compute his taxable income for the assessment year 2022-23.

(15)

OR

Q.3) Mr. Aniket acquired residential property on 01-03-1992 for Rs.2, 00,000. Additional information pertaining to property was as follows: (15)

1. Fair Market value as on 01/04/2001 Rs.240000.
 2. Cost of Improvement made by him
Financial Year
1994-95----Rs.50,000
2006-07----Rs.1,20,000
2015-16----Rs.4,00,000
2016-17----Rs.3,80,000
 3. He sold the residential property on 25-01-2022 for Rs.1,80,00,000.
 4. He acquired new residential house for Rs.58, 00,000 on 19-03-2022.
 5. He also invested 15, 00,000 in Rural Electrician Corporation (REC) Bonds on 20-03-2022.
 6. Expenses on transfer amounted to Rs.75000.
- Compute his taxable long term capital gain for assessment year 2022-23.

Cost of inflation index are 2001-02 is 100, 2006-07 is 122, 2015-16 is 254, 2016-17 is 264 and 2021-22 is 317.

Q.4) Mr. Sharvil provides the following information for the previous year ended 31st March 2022. (15)

You are required to compute his net taxable income for the assessment year 2022-23.

Profit and loss Account for the year ended 31-03-2022

| Expenses | Rs | Income | Rs |
|----------------------------|--------|-----------------------------------|--------|
| To Rent | 30000 | By Gross Profit | 775000 |
| To Salaries | 160000 | By Interest on Bonds | 50000 |
| To Motor Car expenses | 25000 | By Dividend From Indian Companies | 15000 |
| To Life Insurance premium | 60000 | | |
| To Income Tax | 26000 | | |
| To Printing and stationary | 10000 | | |
| To Conveyance | 36000 | | |
| To Depreciation | 35000 | | |
| To Donations | 25000 | | |
| To Net Profit | 433000 | | |
| Total | 840000 | Total | 840000 |

Additional Information:

1. Depreciation as per income tax rule is Rs.38000.
- 2.40% of rent paid is attributable towards his residence.
3. He paid medical premium for self Rs.10000 and spouse Rs.8000..

OR

Q.4) Mr. Jidnesh, Proprietor of J & Co. furnishes you the following information for the year ended 31-03-2022

| Debit | Rs. | Credit | Rs. |
|-----------------------------|----------|-------------------------------|----------|
| To Salaries | 2,20,000 | By Gross Profit | 6,29,000 |
| To Rent | 60,000 | By Interest Accrued on N.S.C. | 6,000 |
| To Printing Expenses | 15,000 | By Gift from father | 51,000 |
| To Advertisement Expenses | 5,000 | By Income from Mutual Fund | 12,000 |
| To Motor Car Expenses | 80,000 | By Winnings from Lottery | 1,00,000 |
| To Embezzlement by Employee | 11,000 | | |
| To Staff Welfare Expenses | 30,000 | | |
| To Purchase of N.S.C. | 50,000 | | |
| To Depreciation | 25,000 | | |
| To Net Profit | 2,90,000 | | |
| Total | 7,98,000 | Total | 7,98,000 |

Additional Information:

- Depreciation as per Income Tax Rules Rs. 28,000.
- Staff welfare expenses include Rs. 10,000 for medical treatment of an employee.
- Rent is paid for his residential house.
- Advertisement expenses are incurred for an advertisement in the souvenir of a political party.

You are required to compute his net taxable income for the assessment year 2022-23.

Q.5 A. Explain Employer and Employee relationship under the head salary

(8)

Q.5 B. Define Capital Asset. Explain short term and Long Term Capital Asset.

(7)

OR

Q.5 Short Notes (Any 3 out of 5)

(15)

- Gratuity
- Interest on Borrowed Capital
- Person and Assesee
- Income from other sources
- SOP and LOP

TYBFM

Duration: 2.5 Hours

Marks: 75

- N.B 1) All questions are compulsory.
2) Figures to the right indicate the maximum marks.

Q.1 (A) Fill in the blanks. (Attempt any eight)

(8)

1. Primary data is collected by the researcher from _____.
a) Books b) Thesis c) Interview d) Research report
2. _____ means the facts, figures and relevant materials in quantitative terms.
a) Data b) Research objectives c) Design d) Research Problem
3. _____ is a measure of national income.
a) GNP b) FDI c) FII d) FDP
4. Quantitative research focuses on _____.
a) Companies b) Numbers c) Employees d) Industries
5. Behavioural Finance is a study of _____ factor of investors.
a) Normal b) Psychological & Emotional c) Weather forecast d) Family related
6. What is the stage of the BCG analysis in which the appearance of surviving firm from pioneering stage?
a) STAR b) Goods c) Services d) Management
7. _____ is not a feature of good research design.
a) Materiality b) Reliability c) Objectivity d) Validity
8. _____ can reduce the equity.
a) Buyback of shares b) Sale of share c) Buy back Debenture d) Sale of share
9. _____ are entities registered with SEBI and act as issue manager.
a) Merchant Banker b) Commercial bank c) Co-operative bank d) Mutual fund
10. _____ acts as a firm foundation for entire research.
a) Important b) Feature c) Objective d) Research design

Q.1 (B) True or False. (Attempt any Seven)

(7)

- a) Blue Chip stocks are of well established companies with stable earnings.
- b) Microeconomics is concerned with how the overall Economy works.
- c) In analytical research the research scholar has to generate his own set of data.
- d) Research design provides guidelines as regarding use of funds for research activity.
- e) EBIT is also referred to as an non- operating profit.
- f) Management quality is an organizational concept.
- g) Primary data is not at all reliable since it is collected with biased mind.
- h) If the Fair price is less than current market price, then company's stock are overvalued.
- i) Private equity is a term used to define funding available to companies in the early stages of growth.
- j) If there are limited number of sellers, buyers can exert lot of pressure and dictate price.

Q2 (A) What is research? What are the different characteristics of research? (7)

Q2 (B) What is applied research and fundamental research? (8)

OR

Q2 (C) Explain the steps in formulation of a research problem? (8)

Q2 (D) What are the responsibilities of a research analyst? (7)

Q3 (A) Explain following concepts with reference to declaration of dividend.
1) Announcement Date 2) Record date 3) Ex-dividend date.
How may the stock price behave on these dates? (8)

Q3 (B) What is observation method of collection of primary data?
What are its different types? (7)

OR

Q3 (C) What are the key points to be considered before investing? (8)

Q3 (D) Explain technical analysis. Give its advantages and disadvantages. (7)

Q4 (A) What is Michael Porter's 5 Forces Model? Explain 'bargaining power of supplier and customers'. (7)

Q4 (B) What is SWOT analysis of a company? Explain its Need (8)

OR

Q4 (C) Explain Compliance orientation of the company. (8)

Q4 (D) Explain the importance and uses of macroeconomics (7)

Q5 (A) Explain the concept of Survey Method? Explain its major disadvantages. (7)

Q5 (B) What is primary data? What are its advantages? (8)

OR

Q5 (C) Short Notes: (Attempt any three) (15)

- 1) Applied research
- 2) Structured Interview vs. Unstructured interview.
- 3) Observation method of data collection
- 4) Classification of stocks
- 5) Types of Dividend

T4BFM

(2 ½ Hours)

Total: 75marks

- Note: 1) All questions are compulsory.
2) Figures to the right indicate marks.

Q I A Fill in the blanks (Any 8 out of 10)

(8)

1. Customers don't obtain the _____ of services.
a. transfer, b. ownership, c. consumption, d. investment.
2. When insurer passes some part of or all risks to another insurer it is called _____.
a. reinsurance, b. mortgage, c. merchant banking, d. dual insurance.
3. _____ is the key tool in service designing.
a. Encounter, b. Blueprint, c. Recovery, d. cross selling.
4. The four main tools of promotion are advertising, sales promotion, public relation and _____.
a. email marketing, b. internet marketing, c. direct marketing, d. indirect marketing.
5. _____ is the stage of the product life cycle where there is intense competition.
a. Growth, b. Maturity, c. Decline, d. Introductory.
6. _____ is a fast growth strategy, when resources are limited.
a. Personal selling, b. Promotion, c. Franchising, d. Intermediaries.
7. Transactional, functional and logistical issues are involved in _____ decisions.
a. promotion, b. process, c. place, d. price.
8. _____ is one of the new trends in marketing.
a. Promotion, b. Personalization, c. Privatisation, d. Product.
9. All types of _____ bring about negative experiences.
a. Service assurance, b. Service arguments, c. Service failure, d. Recovery.
10. Services marketing triangle includes company, _____ and customers.
a. supplier, b. retailers, c. employees, d. dealer.

I B State whether the statement is True or False (Any 7 out of 10)

(7)

1. Service delivery is prone to inconsistency.
2. Like Primary and Secondary sectors, service sector also plays an important role for the economic development of a country.
3. Retail financial services include venture capital and seed capital.
4. Business promotion is targeted at intermediaries and channel partners.
5. Clubbing of two or more segments is done to have a common strategy of marketing mix is called counter segmentation.
6. Buy-One-Get-One-Free is an example of advertising.

7. When customer and service transact from a distance (mail or electronically) it is called service which can be conducted remotely.
8. Personal selling is where business use people to sell the product or service after meeting face-to face with the customer.
9. Internal marketing is a one -time process.
10. Technology is responsible for higher level of service.

Q 2 A) Enlist the distinctive characteristics of services.

(8)

B) Explain the importance of Service marketing.

(7)

OR

Q 2 C) Describe the Retail Financial Services.

(8)

D) Explain the classification of services.

(7)

Q 3 A) Define market segmentation and state its importance

(8)

B) Explain types of CRM.

(7)

OR

Q 3 C) Explain the main tools of promotion in services.

(8)

D) Explain in detail about Service Environment.

(7)

Q 4 A) Describe the components of Service Blueprint.

(8)

B) Enlist the challenges in distribution of services.

(7)

OR

C) What are 7P's of Service marketing?

(8)

D) How is personal selling used in marketing of services?

(7)

Q 5 A) Which are the different types of social media?

(8)

B) Write difference between external marketing and internal marketing.

(7)

OR

Q 5 C Short Notes (Any 3 out of 5)

(15)

1. 3 R's of Service Quality.

2. Product Life cycle.

3. Customer Loyalty

4. Role of IT in marketing.

5. Service Encounters.

TMBM

Duration: 2 ½ Hours

Total Marks: 75

- N.B.: (1) All questions are compulsory
(2) Figures to the right indicate marks
(3) Working notes should be part of answer

Q1. (A) Fill in the blank with suitable option (Any Eight):

(08)

1. The shares offered free of cost are called as _____
(a) Rights Shares
(b) Bonus shares
(c) Preferential shares
(d) Priority Shares
2. Dividend is usually paid to shareholders as a percentage of _____
(a) Paid-up Capital
(b) Net Profit
(c) Called-up Capital
(d) Authorized Capital
3. Capital Redemption Reserve can be utilized for _____
(a) Payment of dividend
(b) Issue of right shares
(c) Issue of fully paid bonus shares
(d) Setting off against losses
4. The redemption amount remaining unpaid to preference shareholders is shown in the balance sheet as _____
(a) Current Liabilities
(b) Loan
(c) Share Capital
(d) Contingent Liabilities
5. Profit on cancellation of own debentures is transferred to _____
(a) Capital Reserve a/c
(b) Securities premium
(c) Debenture Redemption reserve a/c
(d) General reserve
6. Section _____ deals with Debenture redemption reserve
(a) ITC
(b) ICB
(c) ISA
(d) IBC
7. Amalgamation is covered under _____
(a) AS-14
(b) AS-20
(c) AS-14
(d) AS-20
8. For computation of pre-incorporation profit, salary to director is _____
(a) Allocated in time ratio
(b) Allocated in sales ratio
(c) treated as pre-incorporation expenditure
(d) treated as post-incorporation expenditure

9. Share Capital A/c (Rs. 10)
To Share Capital A/c (Rs. 100)

Dr.

The above entry is the entry of _____

- Internal reconstruction
- Amalgamation
- Sub-division of Share capital
- Consolidation of Share Capital

10. Balance in Capital Reduction Account should be transferred to _____ A/c.

- Capital Reserve
- General Reserve
- Profit & Loss
- Securities Premium

Q1. (B) State whether the following statements are True or False (Any Seven):

- Authorized capital is disclosed only for information.
- Participating Preference shareholders can participate and vote on all matters affecting the company.
- Debenture capital is called as debt capital.
- Premium on redemption of preference shares is adjusted out of profits.
- Partly debenture can be redeemed.
- Sinking fund for redemption of debenture is shown under secured loan.
- On merger vendor companies are not liquidated.
- Debentures may be redeemed at Par
- Interest on sinking fund investment is credited to Profit & Loss A/c.
- In Internal Reconstruction, cancellation of contingent liability is profit for company.

Q2. (A) Following is the Balance Sheet of Kirtam Ltd. As on 31st March 2021

| Liabilities | Rs. | Assets | Rs. |
|--|-----------|-------------------------------------|-----------|
| 2,50,000 Equity Shares of Rs. 10 each fully paid | 25,00,000 | Fixed Assets | 37,00,000 |
| 20,000 10% Preference Shares of Rs. 100 each fully paid | 20,00,000 | Investments (M.V. Rs. 15,00,000) | 14,00,000 |
| Profit & Loss A/c | 12,50,000 | Current Assets | 26,70,000 |
| Dividend Equalization Reserve | 9,00,000 | | |
| Securities Premium | 1,20,000 | | |
| Current Liabilities | 10,00,000 | | |
| Total | 77,70,000 | Total | 77,70,000 |

10% Preference Shares are due for redemption on 31st March, 2021 at premium of Rs. 10 per share. The company sold investments at market value. The Company decided to utilize available sources to full extent for redemption purpose. The Preference Shares were redeemed on the due date. The payment was made to all preference shareholders except one shareholder holding 800 preference shares who could not be traced.

Pass journal entries in the books of Kirtam to record the above transaction.

OR

Q2. (B) ABC Ltd issued 2,500 10 % debenture of Rs. 100 each at par on 01st January, 2014 redeemable at 10% premium. The company decided to set aside Rs. 4,000 per annum. The amount was to be invested in 12% Bonds in multiple of Rs. 100 each.
Show necessary journal entries for first five years.

(15)

Q3. (A) Keya Co. Ltd. was incorporated on 1st May 2021 to take over the business of M/s. Pujan Bros, as going concern from 1st January 2021. The Profit and Loss Account for the year ending 31st December 2021 was as follows: (15)

| Particulars | Rs. | Particulars | Rs. |
|---------------------------------------|----------|-----------------|----------|
| To Rent & Taxes | 8,500 | By Gross Profit | 2,12,020 |
| To Administrative Salaries & Expenses | 25,500 | | |
| To Selling Expenses | 5,000 | | |
| To Director Fees | 12,000 | | |
| To Carriage Outward | 12,960 | | |
| To Advertisement | 18,000 | | |
| To Depreciation | 3,000 | | |
| To Audit Fees | 6,000 | | |
| To Electricity Charges | 1,260 | | |
| To Interest on Debentures | 19,800 | | |
| To Net Profit | 1,00,000 | Total | 2,12,020 |
| Total | 2,12,020 | | |

Additional Information:

- Sales for each month from September 2021 to December 2021 were double the monthly sales from January 2021 to August 2021
 - Audit Fees are for the entire period
 - Rent was increased from Rs. 500 per month to Rs. 1,000 per month with effect from 1st August 2021.
- You are required to prepare statement of Profit & Loss, allocating the income and expenses on suitable basis between pre and post incorporation period.

OR

Q3. (B) Following are the Balance Sheets of 'A' Ltd. and 'B' Ltd.
Balance Sheet as on 31st March, 2022 (15)

| Liabilities | A Ltd. (Rs.) | B Ltd. (Rs.) | Assets | A Ltd. (Rs.) | B Ltd. (Rs.) |
|-------------------------------------|------------------|------------------|----------------------|------------------|------------------|
| Equity Share Capital of Rs. 10 each | 37,50,000 | 22,50,000 | Building | 12,50,000 | 7,75,000 |
| Export Profit Reserves | 1,50,000 | 1,50,000 | Machinery | 16,25,000 | 8,50,000 |
| Profit & Loss A/c | 3,50,000 | 3,00,000 | Stock | 12,75,000 | 9,00,000 |
| General Reserve | 1,00,000 | 2,25,000 | Debtors | 4,50,000 | 5,00,000 |
| 12% Debentures of Rs. 100 each | 2,50,000 | 1,50,000 | Bank | 3,50,000 | 2,75,000 |
| Sundry Creditors | 3,50,000 | 2,75,000 | Preliminary Expenses | - | 50,000 |
| | <u>49,50,000</u> | <u>33,50,000</u> | | <u>49,50,000</u> | <u>33,50,000</u> |

- 'C' Ltd was formed to acquire all assets and liabilities of 'A' Ltd. and 'B' Ltd. on the following terms:
- 'C' Ltd. to have an authorized share capital of Rs. 5 crores divide into 5,00,000 equity shares of Rs. 100 each.
 - The business of both companies were taken over for a total price Rs. 60,00,000 to be discharged by 'C' Ltd by issue of equity shares of Rs. 100 each at a premium of 20%.
 - The Shareholder of 'A' Ltd. and 'B' Ltd to get shares in 'C' Ltd. in the ratio of net assets value of their respective shares.
 - The debentures of both the companies to be converted into equivalent number of 14% debentures of Rs. 100 each in 'C' Ltd. at a discount of 10%.
 - All the tangible assets of both the companies are taken over by 'C' Ltd. at book values except the following:

| | 'A' Ltd. | 'B' Ltd. |
|-----------|---------------|--------------|
| Assets | | |
| Building | Rs. 14,00,000 | Rs. 9,10,000 |
| Machinery | Rs. 15,75,000 | Rs. 8,00,000 |

- Q3. (A) Keya Co. Ltd. was incorporated on 1st May 2021 to take over the business of M/s. Pujan Bros, as going concern from 1st January 2021. The Profit and Loss Account for the year ending 31st December 2021 was as follows: (15)

| Particulars | Rs. | Particulars | Rs. |
|---------------------------------------|----------|-----------------|----------|
| To Rent & Taxes | 8,500 | By Gross Profit | 2,12,020 |
| To Administrative Salaries & Expenses | 25,500 | | |
| To Selling Expenses | 5,000 | | |
| To Director Fees | 12,000 | | |
| To Carriage Outward | 12,960 | | |
| To Advertisement | 18,000 | | |
| To Depreciation | 3,000 | | |
| To Audit Fees | 6,000 | | |
| To Electricity Charges | 1,260 | | |
| To Interest on Debentures | 19,800 | | |
| To Net Profit | 1,00,000 | | |
| Total | 2,12,020 | Total | 2,12,020 |

Additional Information:

- Sales for each month from September 2021 to December 2021 were double the monthly sales from January 2021 to August 2021
 - Audit Fees are for the entire period
 - Rent was increased from Rs. 500 per month to Rs. 1,000 per month with effect from 1st August 2021.
- You are required to prepare statement of Profit & Loss, allocating the income and expenses on suitable basis between pre and post incorporation period.

OR

- Q3. (B) Following are the Balance Sheets of 'A' Ltd. and 'B' Ltd.
Balance Sheet as on 31st March, 2022 (15)

| Liabilities | A Ltd. (Rs.) | B Ltd. (Rs.) | Assets | A Ltd. (Rs.) | B Ltd. (Rs.) |
|-------------------------------------|-----------------|-----------------|----------------------|-----------------|-----------------|
| Equity Share Capital of Rs. 10 each | 37,50,000 | 22,50,000 | Building | 12,50,000 | 7,75,000 |
| Export Profit Reserves | 1,50,000 | 1,50,000 | Machinery | 16,25,000 | 8,50,000 |
| Profit & Loss A/c | 3,50,000 | 3,00,000 | Stock | 12,75,000 | 9,00,000 |
| General Reserve | 1,00,000 | 2,25,000 | Debtors | 4,50,000 | 5,00,000 |
| 12% Debentures of Rs. 100 each | 2,50,000 | 1,50,000 | Bank | 3,50,000 | 2,75,000 |
| Sundry Creditors | 3,50,000 | 2,75,000 | Preliminary Expenses | - | 50,000 |
| | 49,50,000 | 33,50,000 | | 49,50,000 | 33,50,000 |

- 'C' Ltd. was formed to acquire all assets and liabilities of 'A' Ltd. and 'B' Ltd. on the following terms:
- 'C' Ltd. to have an authorized share capital of Rs. 5 crores divide into 5,00,000 equity shares of Rs. 100 each.
 - The business of both companies were taken over for a total price Rs. 60,00,000 to be discharged by 'C' Ltd by issue of equity shares of Rs. 100 each at a premium of 20%.
 - The Shareholder of 'A' Ltd. and 'B' Ltd to get shares in 'C' Ltd. in the ratio of net assets value of their respective shares.
 - The debentures of both the companies to be converted into equivalent number of 14% debentures of Rs. 100 each in 'C' Ltd. at a discount of 10%.
 - All the tangible assets of both the companies are taken over by 'C' Ltd. at book values except the following:

| | 'A' Ltd. | 'B' Ltd. |
|-----------|---------------|--------------|
| Assets | | |
| Building | Rs. 14,00,000 | Rs. 9,10,000 |
| Machinery | Rs. 15,75,000 | Rs. 8,00,000 |

6. Sundry creditors of 'A' Ltd. and 'B' Ltd. are taken over at Rs. 3,25,000 and Rs. 2,50,000 respectively.
7. Statutory reserves are to be maintained for 3 years more.

You are required to (Apply nature of purchase method):

- (a) Compute Purchase Consideration of 'A' Ltd. and 'B' Ltd.
- (b) Pass Journal Entries in the books of 'C' Ltd.

Q4. (A) The following was the Balance Sheet of YASHRAJ Ltd.

Balance Sheet as on 31st March, 2022

| Liabilities | Rs. | Assets | Rs. |
|--------------------------------------|----------|----------------------|----------|
| Equity Shares of Rs. 10 each | 4,00,000 | Goodwill | 40,000 |
| 9% Preference Shares of Rs. 100 each | 3,00,000 | Premises | 4,00,000 |
| Current Liabilities | 1,00,000 | Plant & Machinery | 2,20,000 |
| | | Stock-in-trade | 24,000 |
| | | Sundry Debtors | 16,000 |
| | | Preliminary Expenses | 25,000 |
| | | Profit & Loss A/c | 75,000 |
| | 8,00,000 | | 8,00,000 |

The following scheme of reconstruction was approved by the court:

1. Equity Shares to be reduced to Rs. 6 per share and Preference Shares to be reduced to Rs. 70 per share.
2. Plant & Machinery to be written down to Rs. 1,50,000
3. All intangible and fictitious assets are to be written-off.

You are required to pass journal entries to give effect to the above scheme of reconstruction and prepare Capital Reduction Account in the books of YASHRAJ Ltd.

OR

Q4. (B) Dhara Pvt. Ltd. was incorporated on 1st August 2021. This company agreed to take over business of Jiya & Co. as going concern with effect from 1st April 2021.

Profit and Loss Account for the year ended 31st March 2022

| Particulars | Rs. | Particulars | Rs. |
|---------------------------------------|----------|-----------------|----------|
| To Administrative Staff Salaries | 1,68,000 | By Gross Profit | 6,00,000 |
| To Rent | 1,60,000 | | |
| To Electricity Charges | 30,000 | | |
| To Advertisement | 21,000 | | |
| To Bad Debt | 5,000 | | |
| To Commission on Sales | 33,000 | | |
| To Preliminary Expenses w/off | 7,000 | | |
| To Interest on Debentures | 3,000 | | |
| To Interest on Purchase Consideration | 6,000 | | |
| To Net Profit | 1,67,000 | | |
| Total | 6,00,000 | Total | 6,00,000 |

Additional Information:

1. Sales for Pre-Incorporation period were Rs. 5,00,000 which were 1/3 of the total sales.
2. Rent from 1st August 2021 was increased by Rs. 5,000 p.m.
3. Salaries to administrative Staff was increased by Rs. 3,000 p.m. w.e.f 1st August 2021
4. Bad Debts are from the debtors relating to the month of March, 2021.
5. Purchase Consideration was paid on 30th September 2021

Prepare Statement showing Profit and Loss for the year ended 31st March 2022 appropriating all income and expenditure items between Pre-incorporation and Post-incorporation period on suitable basis.

- Q5. (A) What are the provisions of Companies Act, 2013 relating to issue and redemption of preference shares? (08)
- (B) Distinguish between Internal Reconstruction and External Reconstruction (07)

OR

Q5. (C) Write Short Note (Any Three): (15)

1. Divisible Profit
2. Capital Redemption Reserve
3. Profit prior to incorporation
4. Net Assets Method in Amalgamation
5. Capital Reduction Account
