

Question Paper Set of

T.Y.B.M.S. – Sem-V

Regular Exam

University of Mumbai

November, 2017

B.M.S.
Sem:- V NOV. 2017

Q.P. Code :03048

[Time: 2½ Hours]

[Marks:75]

Please check whether you have got the right question paper.

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

Q.1 Attempt any 2

- a) What is an Investment? What are various objectives of investment?
- b) Explain various functions of investment Bank.
- c) What are the advantages of online Trading?

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Q.2 Attempt any 2

- a) Explain relationship between risk and return.
- b) Mr. Raj wants to invest in company X on Company Y. the return on stock X and Y and probabilities are given below.

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Company X		Company Y	
Return (%)	Probability	Return (%)	Probability
6	0.10	4	0.1
7	0.25	6	0.2
8	0.30	8	0.4
9	0.25	10	0.2
10	0.10	12	0.1

Calculate expected return of both the companies and advice whether he should invest in company X or Y.

- c) From the following information calculate Beta of security

Year	Return on Security (%)	Return on Market Portfolio
1	35	22
2	38	26
1	34	24
4	40	28
5	43	30

Q.3 Attempt any 2

- a) What is a portfolio management? What are the basic principles of portfolio management?
- b) The Capital of Carbon Co. is as follows :

15

Particular	Rs.
10% Preference share Capital (Rs 10 each)	Rs 12,00,000
12% Debenture	Rs 12,00,000
Equity Share (Rs 10 each)	Rs 76,00,000
Profit before tax	Rs 30,00,000
Tax rate.	40%
Divided per share	Re 1
Market Price share	Rs 90

Calculate :

- (i) Earning per share
 - (ii) Dividend payout ratio
 - (iii) Price Earning ratio
 - (iv) Dividend yield ratio
- c) Explain various charting techniques.

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Q.4 Attempt any 2

- Explain Efficient market theory.
- The details of three portfolios are given below. Compare these portfolio on performance using Sharpe and Treynor measures.

Portfolio	Average Return	Standard Deviation	Beta
A	16%	0.25	1.00
B	12%	0.30	1.25
C	11%	0.25	1.30
Market index	13%	0.35	1.15

The risk free return is 10%

- Following are the expected return and Beta of three securities as follows.

Security	P	Q	R
Return (%)	20	21	23
Beta	1.2	1.8	0.55

If risk free rate is 8% and market returns are 13%. Calculate expected return using CAPM (Capital Asset Pricing Model)

Q.5 Answer the following.

15

As a portfolio Management Consultant you are approached by a investor with investible funds of Rs 25, 00,000. He wants to know the investment awareness available to him which will give a state return with minimum risk? Also explain different types of risk associated with the investment.

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Q.P. Code :20044

[Time: 2 $\frac{1}{2}$ Hours]

[Marks:75]

Please check whether you have got the right question paper.

- N.B:
1. All Question are compulsory.
 2. From questions 1 to 4 attempt any two of the internal options A, B and C.
 3. Use of simple calculator is permitted.

Q.1 Attempt Any Two (7.5 marks each)

- A. What is Commodity Market? Explain the reasons for investing in commodities.
- B. Write a note on Derivative Market & its participants.
- C. Explain the various features of derivative market.

Q.2 Attempt Any Two (7.5 marks each)

- A. Explain the following terminologies

- i. Contract cycle
- ii. Initial Margin
- iii. limit order

- B. Stock of Don Ltd is currently quoted on BSE at Rs.3157/- Interest rate prevailing is 7% p.a. What future price will you quote for a 3 months futures contract on the stock Don Ltd.
- C. Explain Cost of Carry model of futures pricing.

Q.3 Attempt Any Two (7.5 marks each)

- A. Mrs. Rena is Bullish. She purchased reliance call options with strike price of Rs. 800/- at a premium of Rs.25. On expiry the spot price may be as follows: 725,750,775,800,825,850,875.
 - i) Calculate the Profit/Loss & draw payoff diagram for the same
- B. Explain the difference between futures & options
- C. What is option premium? What are the factors affecting option premium?

Q.4 Attempt Any Two (7.5 marks each)

- A. How the future contract is settled?
- B. Explain the margin system in derivatives market
- C. Explain various methods of measuring VaR.

Q.5 Case Study

- A. Options are better hedging and trading tools than futures. Losses are limited for the buyer and costs are lower. In a futures contract, a trader will be required to pay an initial margin and also mark-to-market margin based on volatility in market price. In options, the outgo is limited to the premium the trader pays on the contract. So, if you want to lock-in the price of the commodity or want to bet, then options offers a cheaper and safer choice.

You can hedge your price risk effectively with options. Say, you, as a farmer can take long put option to sell 10 tonnes of maize at Rs.1,500 per quintal five months from now at a premium of Rs. 100 per quintal. If the price goes to Rs.1,300 (Contract becomes in-the-money) on contract expiry a profit of Rs. 200 (per quintal) will be credited to your bank account.

- a) As per the above case, options contract is cheaper than futures contract. Why?
- b) How is hedging done using options contract?
- c) What is meant by short position and Long position in any contract
- d) What is margin? Why it is charged by exchange?
- e) In the above case if the price in market on expiry had been Rs. 1,600 then what would have been the profit /Loss for the farmer.

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- Q. 5 B. Mr. Ravi has short position in two months futures contract of 100 shares of Reliance Ltd. at price of Rs. 750 per share. What will be the pay off if price per share on settlement date is any of the following: 720, 730, 740, 750, 760, 770, 780

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SEM:-V NOV. 2017

Q. P. Code: 19384

[Time: 2:30 Hours]

[Marks: 75]

Please check whether you have got the right question paper.

Note:

1. All questions carry equal marks.
2. Figures to the right indicate marks.
3. Use of simple calculator is allowed.

Q1. Answer **Any Two** of the following

(15)

- a. What do you mean by Bull-whip effect in SCM? What are the causes of the Bull-whip effect?
- b. Discuss 7 R's of Customer Service with a suitable example.
- c. From the following data calculate a 3 period and 5 period moving average, also forecast demand for the 11th period.

Period	1	2	3	4	5	6	7	8	9	10	11
Demand in Units	120	125	130	135	140	145	150	165	180	200	?

Q2. Answer **Any Two** of the following

(15)

- a. What are Product related and Market related factors influencing transportation costs and pricing?
- b. Discuss the objectives and principles of Material Handling System.
- c. Define Packaging. Explain the different types of Packaging.

Q3. Answer **Any Two** of the following

(15)

- a. Explain the concept of Re-Order Level (ROL). Daily consumption of a raw material in the production process is 400 units. Lead time for delivery is 5 Days. Company's policy is to keep a safety stock equal to two day's daily consumption to guard against stock out. Calculate Re-Order Level.
- b. Explain the principles of logistics costing. Explain the concept of mission based costing.
- c. What are the different transportation network design options available in Logistics Network Analysis?

Q4. Answer **Any Two** of the following

(15)

- a. What is logistical infrastructure? What are the projected benefits from **GOLDEN QUADRILATERAL Project**?
- b. Define 3 PL. What are the types of 3 PL service Providers?
- c. Discuss various global logistics trends.

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Q5. Read the following case study and answer the following questions given below (15)

M/s Chemtech manufactures various types of industrial chemicals at the outskirts of Chennai. It has distributors located at various places across the country. M/s Chemtech also sells chemicals directly from its factory as well.

M/s Potash Ltd is a major supplier of raw materials to M/s Chemtech. But M/s Chemtech is facing problems with this supplier because of (i) late deliveries, (ii) delivery of wrong orders, (iii) missing deliveries giving reasons that they had not received the order. Historically, M/s Chemtech has dealt with its supply problems by simply changing its suppliers. The company now is contemplating on further additional changes.

M/s Potash, as stated before, is one of the main suppliers of M/s Chemtech. M/s Potash holds a large inventory to meet the demands of its customers. But some of the vital items of inventory have to be imported. The lead time for this is around 3 months.

Now, when M/s Chemtech places orders for these vital items of inventory, M/s Potash is not able to meet the order immediately due to stock outs. Therefore, M/s Chemtech feels that M/s Potash lets it down due to which the production schedules of M/s Chemtech is totally disturbed.

Due to the repeated frictional relationship with M/s Potash, the management of M/s Potash is wondering whether it is worth keeping customer relationship with M/s Chemtech. Of course, M/s Chemtech is one of its major buyers, but the constant threats by M/s Chemtech has put M/s Potash on the defensive. That is, they fear that if they suddenly lose the business with M/s Chemtech, then this might seriously affect the operations of M/s Potash. The top management of M/s Potash is seriously contemplating to change its customer base, namely, it wants to now focus on building a customer-base founded on long-term relationship and rely less on business with M/s Chemtech.

The present scenario between M/s Chemtech and M/s Potash is like this:

At the beginning of each month, the customers of M/s Chemtech forecast their requirements for the next month. Throughout the month, these customers keep telephoning their orders to M/s Chemtech's marketing department. The representatives of the marketing department relay the requirements of the customers to the logistics department of M/s Chemtech. The logistics department of M/s Chemtech transmits the orders to the purchase department and the purchase department, in turn, then orders the required stocks from M/s Potash.

Several times, the customers of M/s Chemtech place expedited orders. Such orders are generally not met by M/s Potash since the stock with them has already been earmarked for other clients. The customers of M/s Chemtech are dissatisfied for non-delivery of stocks on schedule.

Questions

- 1) Examine what are M/s Chemtech's logistical problems (5)
- 2) Discuss how M/s Chemtech can improve its logistical operations (5)
- 3) What, according to you, should M/s Potash expect from its customers? (5)

B.M.S.

SEM:-V NOV-2017

Q.P. Code :19073

[Time: 2 1/2 Hours]

[Marks:]

Please check whether you have got the right question paper.

- N.B:** 1. All questions are **compulsory**
2. Figures to the right indicate **full marks**

Q.1 Attempt any two questions

- Define Ethics and explain its types.
- What is Business Ethics? Why is it essential for the organization?
- Discuss the role of government in ensuring Business Ethics.

(15)

Q.2 Attempt any two questions

- Discuss the principles of Ethical Marketing.
- Explain the concept of ethics in taxation.
- Suggest some measures to ensure ethics at workplace.

(15)

Q.3 Attempt any two questions

- State and explain mechanisms used to implement Corporate Governance in India.
- Highlight emerging trends in Corporate Governance.
- Write a note on Audit Committee.

(15)

Q.4 Attempt any two questions

- Discuss the concept of Triple Bottom Line.
- Bring out the responsibility of business towards various stakeholders.
- Explain issues and challenges of CSR (Corporate Social Responsibility).

(15)

Q.5 Case study

M-Mart often finds itself around allegations of poor business ethics, accusing it of predatory pricing or pricing products too low to drive competition out of business and gain a monopoly in local markets. M-Mart also faced charges by suppliers for forcing them to indulge in self-defeating practices, such as pressurizing them to sell goods below cost or at prices lower than they would get elsewhere.

M-Mart was also accused by its employees for forcing them to work overtime without extra pay and for not providing them appropriate working conditions. All the allegation against M-Mart were against ethical conduct of a business.

Questions:

- Explain the unethical practices of M-Mart in marketing.
- Comment on workplace ethics of M-Mart.
- If you are the manager of M-Mart what will be your course of action to save the reputation of the outlet.

(15)

B.M.S.

Sem: V Nov. 2017

Q.P. Code : 04684

[Time: 2½ Hours]

[Marks:75]

Please check whether you have got the right question paper.

N.B:

1. All questions are compulsory but subject to internal choice.
2. Use of simple calculator is allowed.
3. Figures to the right indicate full marks.

Q.1 Attempt any two

- a) Explain in brief the challenges in wealth Management.
- b) Define Yield Curve and explain the types of Yield Curve.
- c) Explain in brief the Code of Ethics to be followed in Wealth Management.

15

Q.2 Attempt any two

- a) Define Insurance and explain its basic principle?
- b) Define Risks and the various types of risks an investor faces.
- c) What is Insurance Planning and explain its importance in Wealth Management.

15

Q.3 Attempt any two

- a) Explain the concept of TDS and when is it payable?
- b) Dr. Sandip sold on 20.06.2015 his residential house in Nagpur for Rs. 90,00,000. It was purchased on 10.07.1993 for Rs. 8,00,000. Expenses on transfer amounted to Rs. 1,00,000. Dr. Ashish incurred expenses on improvement of old house in financial year 2005-06 of Rs. 3,00,000. He invested Rs. 15,00,000 for purchase of new residential house on 31.10.2015. You are required to compute Net Capital Gain for the Assessment Year 2016-17. Relevant Cost Inflation Indices are as under:-

15

Financial Year	Cost Inflation Indices
1993-94	244
2005-06	497
2015-16	1081

c) Following is the Balance Sheet of Zehek Ltd. as on 31st March 2013:-

Liabilities	Rs.	Assets	Rs.
Equity Share capital	5,00,000	Machinery	14,80,000
General Reserve	3,50,000	Investments	5,60,000
10% Preference Capital	9,00,000	Stocks	5,05,000
15% Debentures	6,00,000	Bills Receivable	1,00,000
Trade Payables	6,10,000	Trade Receivables	2,45,000
Bank Overdraft	1,00,000	Cash & Bank	1,90,000
Provision for Tax	90,000	Profit & loss A/c	70,000
Total	31,50,000	Total	31,50,000

[P.T.O.]

Q.P. Code :04684

You are required to compute the following ratios:-

1. Current Ratio
2. Quick Ratio
3. Capital Gearing Ratio

Q.4 Attempt any two

- a) Define retirement planning and explain need of Retirement Planning.
- b) Explain the concept of PPF (Public Provident Fund) and its advantages.
- c) The following are the detail of Ms. Shuchi for the Assessment Year 2016-17

- Income from salary – Rs. 8,00,000
- Income from house property – Rs. 3,40,000
- Income from other sources – Rs. 2,00,000

She has made the following payments:-

- Mediclaim premium of Rs. 20,000 paid by cheque and Rs. 5,000 paid in cash for preventive health check-up of self.
- Contribution to NSC (National Savings Certificate) Rs. 20,000.

Compute the taxable income and tax liability of Ms. Shuchi after allowing deductions under Chapter VI-A.

- Q.5** Mr. Aaryan, a qualified Chartered Accountant has retired as a CEO of a private company in India. His family consists of himself, his wife, two sons and a daughter. The two sons are married and well settled in USA whereas the daughter is still unmarried and staying with him.

Mr. Aaryan has received retirement benefits comprising of provident Fund, Gratuity Fund, Leave Encashment etc. aggregating about Rs 1.4 Crores. On retirement, he is concern about financial liquidity and is planning to take up consultancy to assure fair and regular income. He is concern about his daughter's higher education, as she wants to pursue MBA from a Canadian university. He also has to plan for her wedding expenses. Safety and Financial security is his current priority.

On the basis of the above information, answer the following questions:-

- i. As a wealth manager, advice Mr. Aaryan for his retirement corpus. (5)
- ii. As a wealth manager, suggest a suitable investment plan which will fulfil Mr. Aaryan investment needs as well as his daughter's educational needs. (5)
- iii. Suggest a suitable tax and estate planning to Mr. Aaryan. (5)

B.M.S.
Sem:- V Nov. 2017

Q.P. Code : 19140

[Time: 2:30 Hours]

[Marks:75]

Please check whether you have got the right question paper.

- N.B:
1. All questions are compulsory.
 2. Figures to the right indicates full marks.

Q.1 a) Attempt any two questions

Shares of Pritam Enterprise engaged in promotion and sales of commercial spaces, is quoted at Rs. 500 at the beginning of the year. It has capital expenditure of Rs.300 crore at the year end.

The cost of equity is 15% and 3 crore shares are outstanding

Ascertain the value of the firm at the beginning of the year if the anticipated profits for the next year is Rs.280 crores and at that time Pritam enterprise declares (a) No dividend (b) Rs.12 per share as dividend

- b) Explain XBRL and state its features.
c) The following information relates to Maya Ltd.

Earnings of the company	Rs. 10,00,000
Dividend Payout ratio	60%
No. of shares outstanding	2,00,000
Rate of Return on investment	15%
Equity Capitalization Rate	12%

- What would be the Market Value per share as per Walter's Model?
- What is the optimum Dividend Payout ratio according to Walter's Model and the Market value of Company Share at that payout ratio?

Q.2 Attempt any two questions:

- a) From the following details relating to a project, analyse the sensitivity of the project to changes in Initial project cost and annual cash inflow :

Particulars	Years	Interest	Rs.
Initial Project Cost			1,20,000
Annual Cash inflow			45,000
Project life	4		
Cost of Capital		10%	

To which of the two factors, the project is most sensitive? (Use Annuity Factor: 10%=3.169 and 11%=3.102)

- b) A Ltd has an investment budget of Rs.25 lakhs for next year. It has under consideration three projects A , B and C (B and C are mutually exclusive) and all of them can be completed within a year. Further details are given as below:

Project	Investment Required (Rs. in lakhs)	Cash Flows (Rs. in lakhs)
A	14	19.6
B	12	19.2
C	10	15.0

Calculate Net Present Value and recommend the best policy to utilize the investment budget, supported by proper reasoning

- c) Briefly explain the techniques to deal with risk and uncertainty in capital projects

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Q.3 Attempt any two questions:

- a) M.K Industries Ltd, is engaged in textile business. Its income statement and balance sheet are given below:
Income statement for the year ended 31-3-2016

Particulars	Rs.in Lakhs
Sales	6,000
Less: Cost of production	4,500
PBIT	1,500
Less: Interest on loan	10
PBT	1,490
Tax @ 30%	447
EAT	1,043

Balance sheet as on 31-3-2016

Liabilities	Rs.in lakhs	Assets	Rs.in lakhs
Equity Share Capital (Rs.10 each)	200	Land & Building	100
Reserves & Surplus	150	Plant & Machinery	200
10% Bank Loan	100	Debtors	100
Creditors'	50	Stock	75
		Cash & Bank	25
	500		500

The Weighted Average cost of capital is 15% and company is listed on BSE and has a P/E ratio of 6 times. Calculate (a) value of the firm (b) EVA and (c) MV A

- b) XYZ Ltd. is intending to acquire ABC Ltd (by merger) XYZ Ltd.'s shares are currently traded at Rs.25 per share It has 2, 00,000 shares outstanding and its earnings after taxes amount to Rs.4, 00,000. ABC Ltd. has 1, 00,000 shares outstanding, its current market price is Rs.12.50 per share and its earnings after taxes is Rs. 1, 00,000. The merger will be effected by means of stock swap (Exchange). ABC Ltd. has agreed to a plan under which XYZ Ltd. will offer the current market price of ABC Ltd. Shares
- What is the pre-merger EPS and P/E ratio of both the companies?
 - What will be XYZ Ltd.'s Post-merger EPS if exchange ratio is based on current market price?
- c) Explain principles of Good Corporate Governance.

Q.4 Attempt any two questions

- a) From the following information find out the amount of provision to be shown in the profit and loss account of a commercial bank.

Assets	Rs in Lakhs
Standard Advances	7,000
Sub-standard Advance (include secured exposures Rs. 1,000 lakhs and balances unsecured exposures Rs.2,500 lakhs which includes Rs. 1,500 lakhs in respect of infrastructure loan account where escrow accounts are available)	3,500
Doubtful Advance (Unsecured)	1,500
Doubtful Advance(Secured)	
• Upto 1 year	500
• More than 1 year upto 3 year	600
• More than 3 year	300
Loss advance	200

- b) You are supplied with the following information in respect of Pradeep Ltd for the year

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2016:

Production for the year	72,000 units
Finished goods in stores	3 months
Raw Materials in stores	2 months consumption
Production process	1 month
Credit allowed by suppliers	2 months
Credit allowed to Debtors	3 months
Selling price per unit	Rs.40
Raw Material cost	50% of the selling price
Direct Wages	20% of selling price
Overheads	10% of selling price

There is a regular production and sales cycle and wages and overhead accrue evenly. Wages are paid in the next month of accrual and overhead are paid in the same month. Material are introduced in the beginning of production cycle. Debtors are valued at sales

- Working capital requirement of Pradeep Ltd
 - Permissible Bank Borrowings as per first and second method of lending (Tandon Committee)
- c) What are different forms of advances in case of commercial bank?

Q.5

Case study

Delta Ltd. has the following estimates of the present values of future cash flows after tax associated with the investment proposal concerned with expanding the plant capacity. It intends to use decision tree approach to get a clear idea about the possible outcomes of the investment. The plant expansion is expected to cost Rs.30,00,000. The respective present value of future Cash flow after tax and probabilities are as follows:

With Expansion	With No Expansion	Probabilities
Rs.30,00,000	Rs.20,00,000	0.2
Rs.50,00,000	Rs.20,00,000	0.4
Rs.90,00,000	Rs.35,00,000	0.4

Advise the company about the feasibility of the project
