Reg. No.

**BCMCMC 314**

## Credit Based Fifth Semester B.Com. Examination, September/October 2020
## (Common to all Batches) (Repeaters)
## COMMERCE
## Financial Accounting – V

Time : 3 Hours Max. Marks : 120

***Instructions*** : *1) A single answer booklet containing **40** pages will be issued.*
*2) **No additional** sheets will be issued.*
*3) Provide working notes **wherever** necessary.*

### SECTION – A

Answer **any four** questions : **(4×6=24)**

1. Briefly explain the different methods of redemption of debentures.

2. Explain the conditions laid down in the Companies Act for redeeming the preference shares.

3. What do you mean by Minority Interest ? How would you treat Minority Interest in consolidate Balance Sheet ?

4. Sana Ltd. has 50000 equity shares of ₹ 10 each and 40000 7% preference shares of ₹ 10 each. The company transfers 10% of divisible profits to general reserve every year. Expected profit before tax is ₹ 10,00,000. Rate of tax is 65% Normal Rate of return is 16%.
   Find out market value of equity share.

5. A Limited Company wants to redeem its 8% preference shares amounting ₹ 2,00,000 at a premium of 10%. For this purpose company issues 5000 equity shares of ₹ 10 each at a premium of 10%.
   The company has the following balances :

| | |
|---|---|
| General Reserve | 2,00,000 |
| P/L A/c (Credit) | 1,00,000 |

   Journalise the above transaction assuming that company has sufficient bank balance.

P.T.O.

6. The net profits of Ambuja Ltd. after providing for taxation for the past five years are 78,000, 82,000, 88,000, 93,000 and 99,000. The capital employed in the business is ₹ 8,00,000 on which a reasonable return of 10% is expected. Compute the value of Goodwill as per capitalisation of average profit method.

## SECTION – B

Answer **any four** of the following : **(4×12=48)**

7. On 1-1-2018 the following balance appeared in the books of AB Limited :

| | |
|---|---|
| 15% Debentures | 25,000 |
| Debenture Redemption Fund | 20,000 |
| Debenture Redemption Fund Investment | 20,000 |

(representing 10% Govt. Bonds of the face value ₹ 23,000). The annual instalment to the redemption fund was ₹ 4,125.

On 31-12-2018, the bank balance was ₹ 6,500 (before including interest on investment) investments realised at 90% net and debentures were redeemed. Show Debenture Redemption Fund A/c, Debenture Redemption Fund Investment A/c, Debenture Holders A/c and Bank A/c.

8. The following are the Balance Sheets of A Limited and B Limited :

| **Liabilities** | **A Ltd.** | **B Ltd.** | **Assets** | **A Ltd.** | **B Ltd.** |
|---|---|---|---|---|---|
| Shares of ₹ 1 each | 1,00,000 | 50,000 | Fixed Assets | 60,000 | 32,000 |
| P/L A/c | 24,500 | 6,000 | Goodwill | – | 5,000 |
| Debentures | 20,000 | – | 45,000 shares | | |
| Creditors | 7,500 | 3,000 | in B Ltd. | 60,000 | – |
| | | | Current Assets | 32,000 | 22,000 |
| | **1,52,000** | **59,000** | | **1,52,000** | **59,000** |

Fixed assets of A Ltd. and B Ltd. are worth 71,000 and 36,000 respectively. Value of Goodwill is nil.

Find out intrinsic value of shares of both the companies.

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9. The balance sheet of AB Limited is as follows :

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| 15000 equity shares of ₹ 10 each | 1,50,000 | Goodwill | 10,000 |
| General Reserve | 90,000 | Fixed Assets | 1,80,000 |
| Provision for Tax | 10,000 | Investments : | |
| 8% Debentures | 50,000 | 5% Govt. Bonds | 20,000 |
| Creditors | 25,000 | Current Assets | 1,00,000 |
| | | Preliminary expenses | 10,000 |
| | | Discount on debentures | 5,000 |
| | **3,25,000** | | **3,25,000** |

The average profit of the company after deducting interest on debentures and taxes is ₹ 31,000. The market value of the machinery included in fixed assets ₹ 5,000 more. Expected rate of return 10%.

Compute the value of Goodwill of the company at 5 times of super profit.

10. Prepare a Balance Sheet, in vertical form of a limited company as on 31-3-2019 from the following information :

| | |
|---|---|
| Share capital : | |
| 100000 Equity shares of ₹ 10 each | 10,00,000 |
| 8000 preference shares of ₹ 10 each | 8,00,000 |
| Security premium | 8,00,000 |
| General Reserve | 32,00,000 |
| Secured loans | 18,00,000 |
| Unsecured loans | 3,10,000 |
| Fixed Assets | 56,00,000 |
| Goodwill | 3,00,000 |
| Investment | 2,50,000 |
| Closing stock | 14,00,000 |
| Sundry debtors | 14,20,000 |
| Cash and Bank Balance | 3,40,000 |
| Loans and Advances | 5,30,000 |
| Sundry creditors | 12,50,000 |
| Bills payable | 3,00,000 |
| Provision for taxation | 2,00,000 |
| Miscellaneous expenditure | 60,000 |
| P/L A/c (Loss) | 4,00,000 |

Provide for :

i) Depreciation on fixed assets ₹ 6,00,000

ii) Provision for doubtful debts ₹ 40,000.

11. The Balance Sheet of AB Limited as on 31-3-2018 was as under :

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| 15000, 5% Redeemable preference shares of ₹ 10 each | 1,50,000 | Plant and machinery | 4,00,000 |
| 30000 Equity shares of ₹ 10 each | 3,00,000 | Furniture | 42,000 |
| General Reserve | 1,60,000 | Vehicles | 48,000 |
| Profit and Loss A/c | 55,000 | Investments | 1,00,000 |
| Security Premium A/c | 1,35,000 | Stock | 2,10,000 |
| Creditors | 2,00,000 | Debtors | 1,10,000 |
| | | Bank | 90,000 |
| | **10,00,000** | | **10,00,000** |

On 31-3-2018 the company decided to redeem the preference shares at a premium of 5% for this purpose it decided to sell the investments realising ₹ 97,500.

Give Journal Entries and redraft the Balance Sheet.



12. From the Balance Sheet and information given below, prepare consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd.

| Liabilities | H Ltd. | S Ltd. | Assets | H Ltd. | S Ltd. |
|---|---|---|---|---|---|
| Shares of ₹ 10 fully paid | 10,00,000 | 2,00,000 | Fixed Assets | 8,00,000 | 1,20,000 |
| Reserve | 1,00,000 | 60,000 | Stock | 6,10,000 | 2,40,000 |
| P/L A/c | 4,00,000 | 1,20,000 | Debtors | 1,30,000 | 1,70,000 |
| Creditors | 2,00,000 | 1,20,000 | Bills Receivable | 10,000 | – |
| B/P | – | 30,000 | 15,000 shares in S Limited at cost | 1,50,000 | – |
| | **17,00,000** | **5,30,000** | | **17,00,000** | **5,30,000** |

I) Entire profit of S Limited has been earned since the shares were acquired on 1-4-2018 but there was already reserve of ₹ 60,000 at that date.

II) The bills accepted by S Limited ₹ 10,000 are in favour of H Limited.

III) The stock of H Limited includes ₹ 50,000 bought from S Limited at a profit to the latter of 25% on cost.

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## SECTION – C

Answer **any two** questions : **(2×24=48)**

13. On 1-4-2015 Sringar Limited issued 10,000 8% Debentures of ₹ 100 each at par repayable at the end of 4 years at a premium of 5%. It is decided to institute a sinking fund for the purpose, the investments being expected to earn 4% net. The table show that 0.235490 annually amounts to ₹ 1 at 4% in four years. Investments were made in multiples of ₹ 100 only.

    On 31-3-2019 the balance at bank was ₹ 3,70,000 (before interest on investments) and the investments realised ₹ 7,84,000. The debentures were paid off.

    **Prepare :**

    8% Debentures A/c, Sinking Fund A/c, Sinking Fund Investment A/c, Bank A/c and Debenture Holders A/c.



14. A Balance Sheet of Amardeep Ltd. as on 31-3-2018 was as follows :

| | | | |
|---|---|---|---|
| 6500, 12% Redeemable preference shares of ₹ 10 each | 65,000 | Fixed Assets | 3,50,000 |
| 4500 Equity shares of ₹ 50 each | 2,25,000 | Investments | 18,500 |
| Profit and Loss A/c | 53,000 | Cash at Bank | 31,000 |
| Creditors | 56,500 | | |
| | **3,99,500** | | **3,99,500** |

In order to redeem the preference shares, the company decided :

a) To sell all the investments for ₹ 16,000.

b) To leave a balance of ₹ 12,000 in the Profit and Loss A/c.

c) To issue sufficient number of equity shares of ₹ 50 each at a premium of ₹ 13 per share to raise the balance of funds required for redemption.

The equity shares were fully subscribed and the preference shares were redeemed at 10% premium.

The directors then issued bonus shares to the equity shareholders at the rate of one for every 10 shares issued.

Pass the necessary Journal Entries and prepare the Balance Sheet.

15. The following Trial Balance appeared in the books of Maruthi Limited as on 31-3-2018 :

| | | | |
|---|---|---|---|
| Calls in Arrears | 5,000 | Capital | 3,00,000 |
| Stock | 27,200 | Sales | 3,63,100 |
| Purchases | 2,91,200 | General Reserve | 1,00,000 |
| Salaries | 41,000 | Creditors | 20,300 |
| Other expenses | 18,200 | Provision for tax | 1,00,000 |
| Investments | 90,000 | Dividend on investment | 6,200 |
| Plant | 80,000 | Profit and Loss A/c | 60,500 |
| Debtors | 1,42,000 | | |
| Goods sent on consignment | 17,200 | | |
| Cash at Bank | 2,17,300 | | |
| Income tax paid | 21,000 | | |
| | **9,50,100** | | **9,50,100** |

**Additional information :**

1) Closing stock was valued at ₹ 1,00,000.
2) Provide Reserve for bad and doubtful debts at 10% on debtors.
3) Proposed dividend 10%.
4) Depreciation on plant 10%.
5) Transfer ₹ 30,000 to General Reserve.
6) All the goods on consignment have been sold for ₹ 20,000. His expenses were ₹ 150 and commission 5%.
7) Provision for taxation required for the year 2017-18 was ₹ 80,000.

Prepare the final accounts of the company in the vertical form.



16. Following are the Balance Sheet of Hira Limited and Sona Ltd. as on 31-12-2018 :

| Liabilities | Hira | Sona | Assets | Hira | Sona |
|---|---|---|---|---|---|
| Shares of ₹ 100 | | | Goodwill | 40,000 | 30,000 |
| each | 5,00,000 | 2,00,000 | Fixed assets | 3,60,000 | 2,20,000 |

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| | | | | | |
|---|---|---|---|---|---|
| General Reserve | 1,00,000 | 60,000 | Stock | 1,00,000 | 90,000 |
| Profit and Loss A/c | 1,16,000 | 1,22,000 | Debtors | 20,000 | 75,000 |
| Bills payable | – | 40,000 | Shares in Sona Ltd. | 2,40,000 | – |
| Creditors | 80,000 | 50,000 | Cash at Bank | 36,000 | 57,000 |
| | **7,96,000** | **4,72,000** | | **7,96,000** | **4,72,000** |

I) The Profit and Loss A/c of Sona Ltd. showed an opening credit balance of ₹ 50,000 on 1-1-2018.

II) Hira Limited acquired 1500 shares of Sona Limited on 1-7-2018.

III) The B/P of Sona Ltd. were all issued in favour of Hira Ltd. which got discounted.

IV) Creditors of Sona Ltd. include ₹ 20,000 for goods supplied by Hira Limited.

V) Stock of Sona Limited included goods ₹ 8,000 supplied by Hira Limited at a profit of 25% on sales.

Prepare consolidated Balance Sheet as at 31-12-2018.

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**BCMCMC 315**

**Credit Based V Semester B.Com. Examination, Sept./Oct. 2020**
**(Common to all Batches) (Repeaters)**
**COMMERCE**
**Cost and Management Accounting – III**

Time : 3 Hours Max. Marks : 120

***Instruction :*** *Provide working notes wherever required.*

SECTION – A

Answer **any four** of the following : **(4×6=24)**

1. Distinguish between job order costing and batch costing.

2. Explain escalation clause and de-escalation clause.

3. Compute the economic batch quantity for a company using batch costing, with the following information.

   i) Annual demand for the parts : 10,000 units

   ii) Setting up cost : ₹ 250

   iii) Cost of manufacture of one unit : ₹ 400

   iv) Rate of interest p.a. : 10%

4. The output of process A is 5,000 units. 400 units are considered as abnormal loss. Normal loss allowed is 10%.

   Additional information obtained was as under :

   Materials @ ₹ 20 per unit of input, wages ₹ 16,000, overhead ₹ 13,400, wastage realized ₹ 10 per unit.

   Prepare process 'A' A/c and abnormal loss A/c.

5. Distinguish between 'Joint Products' and 'By Products'.



P.T.O.

6. From the following, calculate the total passenger K.M.

Number of buses – 10

No. of days operated in a month – 28

No. of trips by each bus per day – 2 trips

Distance of route : 25 km (one side)

Capacity of the bus : 50 passengers.

Normal passenger capacity : 80%



SECTION – B

Answer **any four** of the following : **(4×12=48)**

7. The information given below has been taken from the records of an engineering works in respect of job No. 555

| | | |
|---|---|---|
| Materials | : | ₹ 80,000 |
| Wages | : | Dept. A – 60 hrs @ ₹ 30 per hour |
| | : | Dept. B – 40 hrs @ ₹ 20 per hour |
| | : | Dept. C – 20 hrs @ ₹ 10 per hour |

The works overheads are as follows.

| | | |
|---|---|---|
| Variable | : | Dept. A – ₹ 15,000 for 5,000 hrs |
| | : | Dept. B – ₹ 30,000 for 1,500 hrs |
| | : | Dept. C – ₹ 20,000 for 500 hrs |

Fixed expenses ₹ 2,00,000 for 10,000 working hours.

Calculate the cost of Job No. 555 and the price for the job to earn a profit of 25% on selling price.

8. The following particulars are extracted from the books of Soujanya Building contractors on 31-3-2019.

   Materials purchased : ₹ 80,000

   Materials issued from other contract : ₹ 5,50,000

   Wages : ₹ 8,75,000

   Inspection charges : ₹ 35,000

   General expenses : ₹ 15,000

   Scrap materials sold : ₹ 6,000

   Establishment charges : ₹ 66,000

   A plant was purchased on 1-7-2018 for ₹ 80,000. Of the plant and material charged to the contract, plant which cost ₹ 3,000 and material which cost ₹ 2,500 were lost. On 31-12-2018, the plant was transferred to another contract. An additional plant was purchased on 1-1-2019 for ₹ 2,00,000. The contract price was ₹ 50,00,000. Cash received on account up to 31-3-2019 amounted to ₹ 20,00,000, being 80% of work certified. The cost of work done but not certified was ₹ 75,000. The closing value of material was ₹ 20,000. Charge depreciation on plant at 10% p.a.

   Prepare Contract Account



9. The following details are extracted from the costing records of an oil mill for the month of March 2019. Purchase of 500 tonnes of copra costing ₹ 2,00,000.

| **Particulars** | **Crushing** (₹) | **Refining** (₹) | **Finishing** (₹) |
|---|---|---|---|
| Labour | 2,500 | 1,000 | 1,500 |
| Power | 600 | 360 | 240 |
| Other materials | 100 | 2,000 | – |
| Repairs | 280 | 330 | 140 |
| Steam | 600 | 450 | 450 |
| Other expenses | 1,320 | 660 | 220 |
| Cost of drums | – | – | 7,500 |
| Sacks sold | 400 | – | – |
| Production (tons) | 300 | 250 | 248 |

   175 tons of copra residue sold for ₹ 11,000. Loss in weight in crushing process is 25 tons. 45 tons of by products got in refining process valued at ₹ 6,750.

   Prepare process accounts.

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10. Product P yields by products Q and R. The joint expenses of manufacture are :

| | |
|---|---|
| Materials | ₹ 10,000 |
| Labour | ₹ 8,000 |
| Other cost | ₹ 9,000 |

Subsequent expenses are as under :

| | P(₹) | Q(₹) | R(₹) |
|---|---|---|---|
| Materials | 2,000 | 1,600 | 1,800 |
| Labour | 2,400 | 1,400 | 1,700 |
| Other cost | 2,600 | 1,000 | 1,500 |
| | **7,000** | **4,000** | **5,000** |
| Sales | 42,000 | 20,000 | 18,000 |
| Estimated profit on sales | 50% | 50% | 33.33% |

Show how you would apportion the joint expenses of manufacture and also prepare necessary accounts.

11. Enumerate the methods which may be employed in allocating joint cost to joint products.

12. Component 'Bee' is made entirely in cost centre 100. Material cost is ₹ 6 per component and each component takes 10 minutes to produce.

The machine operator is paid ₹ 7.20 per hour and the machine hour rate ₹4.50. The setting up of the machine to produce component 'Bee' takes 2 hours and 20 minutes.

On the basis of this information, prepare cost sheet showing the production and setting up costs, both in total and per component, assuming that a batch of

a) 100 components and

b) 200 components are produced.



11

## SECTION – C

Answer **any two** of the following : **(2×24=48)**

13. The contract ledger of Sharma and company showed the following expenditure on account of a contract on 31-3-2019.

| | ₹ |
|---|---|
| Materials | 2,10,000 |
| Plant | 70,000 |
| Wages | 2,93,000 |
| Sundry expenses | 15,000 |
| Establishment charges | 10,000 |



The contract was started on 1-4-2018 and the contract price was ₹ 10,00,000. Cash received to date was ₹ 4,80,000 representing 80% of the work certified. The value of plant on 31-3-2019 was ₹ 20,000 and value of materials on hand was ₹ 6,000. The cost of work finished but not certified was ₹ 50,000.

Some of the materials costing ₹ 20,000 were found unsuitable and were sold for ₹ 16,000 and a part of the plant costing ₹ 5,000 was unsuited to the contract was sold at a profit of ₹ 1,000.

In order to calculate the profit made on 31-3-2019, the contractor estimated further expenditure that would be incurred in completing the contract.

The estimates were as under :

a) That the contract would be completed by 30th Sept. 2019.

b) That a further sum of ₹ 30,000 would have to be spend on plant and the residual value of the plant on the completion of the contract would be ₹ 12,000.

c) The materials in addition to those on hand on 31st March 2019 would cost ₹ 1,00,000 and the further sundry expenses ₹ 7,000 would be incurred.

d) The wages would amount to ₹ 1,69,000

e) That the establishment charges would cost the same amount per month as in the previous year.

f) Total ₹ 18,000 would be sufficient to meet the contingencies.

Prepare contract account for the year 31-3-2019.

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14. The product of a company passes through three distinct processes to completion. From past experience, it is ascertained that wastage is incurred in each process as under :

Process A – 2%, Process B – 5%, Process C – 10%. The wastage of Process A and B is sold at Rs. 40 per 100 units and that of process C at ₹ 320 per 100 units.

The following are the information regarding the production in March 2019.

| Particulars | Process A (₹) | Process B (₹) | Process C (₹) |
|---|---|---|---|
| Materials | 48,000 | 32,000 | 16,000 |
| Direct labour | 64,000 | 48,000 | 24,000 |
| Machine expenses | 8,000 | 8,000 | 12,000 |
| Factory expenses | 14,000 | 15,200 | 16,800 |

20,000 units have been issued to Process A at a cost of ₹ 80,000. The output of each process has been as under :

Process A – 19,500 units

Process B – 18,800 units

Process C – 16,000 units

There were no stock in any process in the beginning or at the end of March. Prepare Process A/c. Abnormal Loss A/c and Abnormal Gain A/c.

15. Mr. Avatar Singh owns a bus which runs from Delhi to Chandigarh and back for 10 days in a month. The distance from Delhi to Chandigarh is 150 kilometers. The bus completes the trip from Delhi to Chandigarh and back on the same day. The bus goes another 10 days in a month towards Agra. The distance from Delhi to Agra is 120 kilometers. This trip is also completed in the same day. For the rest 4 days of its operation in a month, it runs in the local city. The distance covered in the local city is 40 kilometers.

Calculate the rate Mr. Avatar Singh should charge a passenger when he wants to earn a profit of 33% on his takings. The other information is given below :

Cost of the bus ₹ 60,000

Depreciation rate 20%

Salary of driver ₹ 350 per month

Salary of conductor ₹ 350 per month

Salary of accountant ₹ 160 per month

Insurance ₹ 1,680 per annum

Diesel consumption 4 kilometer per litre

Diesel cost ₹ 1 per litre

Token tax ₹ 600 per annum

Lubricant oil ₹ 10 per 100 k.m.

Repairs and maintenance ₹ 500 per month

Permit fee ₹ 284 per month

Normal capacity ₹ 50 persons

The bus is generally 90% of the capacity when it goes to Chandigarh and 80% when it goes to Agra. It is always full when it runs within the city. Passenger tax is 20% on his net takings.

16. How would you deal with by-products in costing ?

a) Where they are of small total value ?

b) Where they are of considerable total value ?

c) Where they require further processing ?

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**BCMCMC 313**

**Credit Based V Semester B.Com. Degree Examination, Sept./Oct. 2020**
**(Common to all Batches) (Repeaters)**
**COMMERCE**
**Financial Management – I**

Time : 3 Hours Max. Marks : 120

***Instruction :*** *Provide working notes* ***wherever*** *necessary.*



SECTION – A

Answer **any four** of the following : **(4×6=24)**

1. Explain the features of 'debt'.
2. Explain the scope of Financial Management under traditional approach.
3. What are the functions of Registrar to public issue of shares ?
4. Bharathi Ltd. has equity share capital of ₹ 8,00,000, preference share capital of ₹ 4,00,000, Reserve and Surplus ₹ 6,00,000, debentures to the extent of ₹ 30,00,000 and long term loan from IFCI Ltd. at ₹ 15,00,000. It has ₹ 3,00,000 miscellaneous expenditure on the asset side. Calculate the Debt Equity Ratio.
5. A machine cost ₹ 3,00,000 and its effective life is estimated to be 6 years. A sinking fund is created for replacing the machine at the end of its effective lifetime, when its scrap realized a sum of ₹ 20,000. Calculate the amount which should be provided every year for the sinking fund if it accumulates 8% p.a. compounded annually.
6. From the following data, calculate the beta and alpha of stock of A and B Ltd.

| | Arithmetic Mean | Standard Deviation | Correlation Coefficient |
|---|---|---|---|
| Market Mean | 10% | 2% | – |
| Stock of A Ltd. | 12% | 3% | 0.7 |
| Stock of B Ltd. | 9% | 2% | 0.6 |

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P.T.O.

## SECTION – B

Answer **any four** of the following. **(4×12=48)**

7. What is stock exchange ? What are functions of stock exchange ?

8. Explain the merits of equity shares.

9. Everest Ltd. is considering two alternative projects for implementation. The forecasted cash flows are given for 5 years.

| Year | Cash flows Project Nethravathi ₹ | Project Kumaradhara ₹ |
|---|---|---|
| 1 | 52,000 | 60,000 |
| 2 | 68,000 | 63,000 |
| 3 | 73,000 | 65,000 |
| 4 | 65,000 | 59,000 |
| 5 | 78,000 | 72,000 |

The cost of the project is ₹ 1,50,000. The cost of capital of the company can be assumed to be 8%. Determine, which project is more profitable and acceptable based on Net Present Value (NPV).



10. Two alternative plans are under consideration of Sri Mukambika Engineering Ltd. The forecasted figure are submitted to you.

| Mahanadhi Project Net Profit (₹ in crores) | Probability | Brahmaputra Project Net Profit (₹ in crores) | Probability |
|---|---|---|---|
| 40 | 0.1 | 43 | 0.2 |
| 41 | 0.2 | 44 | 0.2 |
| 42 | 0.2 | 45 | 0.1 |
| 43 | 0.1 | 46 | 0.2 |
| 44 | 0.3 | 47 | 0.1 |
| 45 | 0.1 | 48 | 0.2 |

Determine the risk profile of the two projects through their standard deviations.

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11. The capital structure of Abhinaya Ltd. comprises following.

| | |
|---|---|
| Equity shares of ₹ 10 each | ₹ 4,00,000 |
| 15% preference shares of ₹ 100 each | ₹ 1,00,000 |
| 10% debenture of ₹ 100 each | ₹ 5,00,000 |

It sells 1,00,000 units at ₹ 10 per unit with material cost of ₹ 3 per unit and labour cost of ₹ 2 per unit and a fixed cost of ₹ 1,00,000.

The applicable corporate tax rate is 35%.

Calculate operating leverage, financial leverage, combined leverage and EPS of the company.

12. Two projects are under consideration of a small scale industry. Calculate Return on Investment and Range. Which project is less riskier based on Range ?

**Project X**

| **Particulars** | **Optimistic** | **Expected** | **Pessimistic** |
|---|---|---|---|
| Sales (unit) | 10,000 | 9,000 | 8,000 |
| Price/unit | 20 | 18 | 16 |
| Material/unit | 1 | 2 | 3 |
| Labour/unit | 2 | 3 | 4 |
| Fixed cost | 40,000 | 45,000 | 50,000 |
| Capital employed | 1,60,000 | 1,70,000 | 2,00,000 |

**Project Y**

| **Particulars** | **Optimistic** | **Expected** | **Pessimistic** |
|---|---|---|---|
| Sales (unit) | 11,000 | 9,000 | 8,000 |
| Price/unit | 20 | 16 | 15 |
| Material/unit | 1 | 2 | 3 |
| Labour/unit | 1 | 3 | 4 |
| Fixed cost | 40,000 | 50,000 | 60,000 |
| Capital employed | 1,50,000 | 2,00,000 | 2,50,000 |

## SECTION – C

Answer **any two** of the following. (2x24=48)

13. Explain the function and powers of SEBI.

14. Explain the procedure involved in Book building process.

15. A company needs ₹ 5,00,000 for construction of new plant. The following three financial plans are feasible

   A) The company may issue 50,000 equity shares at ₹ 10 per share.

   B) The company may issue 25,000 equity shares of ₹ 10 per share and 2,500 debentures of ₹ 100 each bearing 8% rate of interest.

   C) The company may issue 25,000 equity shares at ₹ 10 per share and 2,500 preference shares at ₹ 100 per share bearing 8% rate of dividend.

   If the companies earnings before interest and taxes (EBIT) are ₹ 10,000, ₹ 20,000, ₹ 40,000, ₹ 60,000 and ₹ 1,00,000. What are the earning per share (EPS) under each of three financial plans ? Which alternative would you recommend and why ? Assume a corporate tax rate of 50%.

16. The return on stock of Gamma Info Tech Ltd. during a five year period are given below.

| **Return on Gamma Info Tech Ltd.** | **Return on Nifty** | **Return on Sensex** |
|---|---|---|
| 18 | 16 | 19 |
| 14 | 13 | 16 |
| 16 | 15 | 13 |
| 13 | 12 | 14 |
| 9 | 4 | 18 |

   a) Calculate Alpha and Beta of Gamma Info Tech Ltd. taking Nifty as market return.

   b) Compute Alpha and Beta of Gamma Info Tech Ltd. taking Sensex as market return.

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