

C 42141

(Pages : 3)

Name.....

Reg. No.....

**THIRD SEMESTER M.Com. DEGREE EXAMINATION, APRIL/MAY 2013**

**3.5—FINANCIAL MANAGEMENT**

(2004 Admissions)

Time : Three Hours

Maximum : 80 Marks

**Section A**

*Answer all questions.  
Each question carries 2 marks.*

1. Define undercapitalisation.
2. What is a Balanced Capital Structure ?
3. Define Lock Box system.
4. Define off the Balance Sheet Financing.
5. Define stock split.

(5 × 2 = 10 marks)

**Section B**

*Answer any four questions.  
Each question carries 10 marks.*

6. State the objectives of Financial Management.
7. Briefly state the Gordon model of Dividend Theory.
8. What are the benefits of factoring services ?
9. Sri Ram Industries Ltd. issued 10,000 10% Debentures of Rs. 100 each. The tax rate is 50% calculate the before tax and after tax cost of debt if the debentures are issued (a) at par ; (b) at a premium of 10% ; (c) at a discount of 10%.
10. The following is the capital structure of a company

	Rs.
Equity shares of Rs. 100 each	20,00,000
Reserves and surplus	8,00,000
9% preference shares	12,00,000
7% Debentures	10,00,000
Total capital	50,00,000

The Company earns 12% units total capital.

Turn over

Car of 1.2 litre capacity provided by the employer for private and official use. Employer meets expenses of the Car. He and his employer (each) contribute 15% of salary to R.P.F.

Mr. B had taken interest free loan of Rs. 15,000 to purchase refrigerator.

Compute B's income under the head 'salary' for the Assessment Year 2012-13.

10. Calculate Gross and Net Annual value from the following information :

	House A	House B
	Rs.	Rs.
Municipal Rental Value	80,000	80,000
Fair Rental Value	1,00,000	1,00,000
Standard Rent	70,000	1,20,000
Actual Rent	1,20,000	90,000
Municipal taxes	8,000	8,000
		(only 50% paid)

It is assumed that both the houses were let out throughout the year and there was also no unrealised rent.

11. From the particulars given below, compute the taxable capital gain of Mr. Z for the Financial Year 2011-12.

	Rs.
(a) Sale price of shares of A Ltd. acquired on 1.6.2010 and sold on 1.5.2011	2,00,000
Cost price of these shares	1,00,000
(b) Sale price of shares of B Ltd. acquired in 1989-90 [C.I.I : 172] sold on 1.12.2011 [C.I.I : 785]	2,10,000
Cost price of shares of B Ltd.	50,000
(c) Sale price of Jewellery sold on 1.11.2011	3,80,000
Cost of Jewellery acquired in 1985-86 [C.I.I : 133]	50,000
Long term capital loss of Rs. 1,00,000 has been B/F from the Assessment Year 2010-11.	

(4 × 10 = 40 marks)

### Part C

Answer any two questions.

Each question carries 15 marks.

12. Explain the provisions of the Income Tax Act regarding deductions to be made in Computing the total income of an assessee in respect of certain payments [Section 80].

13. Following is the Profit and Loss Account of a trader for the Previous Year 2011-12.

*Profit and Loss Account*

Rs.		Rs.	
To Salaries	25,650	By Gross Profit	80,000
Rent	1,000	Bank interest	450
Commission on sales	100	Bad debts recovered	
Income Tax	2,600	(last year allowed)	2,000
Entertainment expenses	600	Rent from House property	4,800
Commission paid to collect interest on securities	25	Interest on commercial securities	2,000
Embezzlement by cashier	1,000		
Municipal taxes on House property	600		
Bad debts (allowed)	450		
Repairs to house	1,625		
Office expenses	9,180		
Depreciation	5,000		
L.I.C. Premium	1,320		
Net Profit	40,100		
	<u>89,250</u>		<u>89,250</u>

Depreciation on the assets is Rs. 4,500.

Compute taxable business income for the Assessment Year 2012-13.

14. Y is a professor in Delhi College (Population above 25 lakhs) getting a salary of Rs. 35,000 per month plus 35% on account of dearness allowance. He contributes 12% of his salary to Recognized Provident Fund and the employer contributes the same amount. He is also hostel warden and has been provided with rent-free unfurnished accommodation whose annual rental value is Rs. 12,000 per month. He owns a house which is let out at Rs. 8,000 per month and he pays municipal taxes amounting to Rs. 9,600 per annum.

During the Previous Year, he received the following incomes :

Turn over

- 10% dividend on shares of Rs. 12,000.
- Rs. 13,000 as interest on bank deposit.

He has insured his life for Rs. 6,00,000 and paid Rs. 60,000 as annual premium. Ascertain his total income and tax payable for the Assessment Year 2012-13.

(2 × 15 = 30 marks)

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**Paper 3.4—INCOME TAX**

(2004 Admissions)

Time : Three Hours

Maximum : 80 Marks

**Part A**

*Answer all questions.*

*Each question carries 2 marks.*

1. Define the terms 'Previous Year' and 'Assessment Year'.
2. State any four allowances which are fully taxable.
3. What is Deduction of tax at source ?
4. How do you compute the tax liability on integration of agricultural income of an individual ?
5. What is Belated Return ?

(5 × 2 = 10 marks)

**Part B**

*Answer any four questions.*

*Each question carries 10 marks.*

6. Briefly explain the following :
  - (a) Tax avoidance.
  - (b) Short term capital asset.
7. Explain any five incomes that are totally exempt from tax.
8. Explain the provisions of the Income Tax Act regarding carry forward and set off of losses.
9. Mr. B is a Production Manager of an Industrial Unit at Chennai. The particulars of his salary income are as under :

	Rs.
Basic salary	15,000 p.m.
Dearness Allowance (given under the terms of employment)	5,000 p.m.
Entertainment Allowance	1,000 p.m.
Medical Allowance	500 p.m.
House Rent Allowance	4,000 p.m.
Rent paid for the house	5,000 p.m.

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Mr. B had taken interest free loan of Rs. 15,000 to purchase refrigerator.

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