

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BVoc DEGREE EXAMINATION MAY 2023  
(Third Semester)

Branch – BANKING, STOCK AND INSURANCE

FINANCIAL MANAGEMENT

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions

ALL questions carry EQUAL marks (5 x 1 = 5)

1. Basic objective of Financial Management is \_\_\_\_\_.  
(i) Maximization of profit (ii) Ensuring financial discipline in the firm  
(iii) Minimization of loss (iv) Maximization of share holder's wealth
2. \_\_\_\_\_ is a long term planning for financing proposed capital outlay.  
(i) Budgeting. (ii) Capital Budgeting  
(iii) Sales Budget (iv) Cash Budget
3. The minimum required rate of earnings or the cut off rate of capital expenditure is called ----- .  
(i) Cost of capital (ii) Working capital  
(iii) Equity capital (iv) None of these
4. Financial leverage refers to the rate of change in earnings per share for a given change in earnings \_\_\_\_\_.  
(i) Before tax (ii) Before interest  
(iii) Before interest and tax (iv) After interest and tax
- 5 Net working capital refers to \_\_\_\_\_.  
(i) Total assets minus fixed assets  
(ii) Current assets minus current liabilities  
(iii) Current assets minus inventories  
(iv) Current assets

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 3 = 15)

- 6 a. Define Financial management and state its important principles.  
OR  
b. Discuss the process of financial management.
- 7 a. A project cost Rs. 5,00,000 and yields annually a profit of Rs.80,000 after depreciation at 12%p.a. but before tax of 50%. Calculate payback period.  
OR  
b. Project X initially costs Rs. 25,000. It generates the following cash inflows:

Year	Cash inflows	Present value of Re. 1 at 10%
1	Rs. 9,000	0.909
2	Rs. 8,000	0.826
3	Rs. 7,000	0.751
4	Rs. 6,000	0.683
5	Rs. 5,000	0.621

Taking the cut-off rate 10%, suggest whether the project should be accepted or not.
- 8 a. Sun Pharma Ltd., issued 20,000, 8% debentures of Rs. 100 each on 1-4-2019. The cost of issue was Rs. 50,000. The company's tax rate 35%. Determine the cost of debentures (before tax as well as after tax) if they were issued at a discount of 10%.

Cont...

OR

- b. A company's share quoted in the market at Rs. 40 and the expected dividend for the next year is Rs.2 per share. Thereafter, the investors expect a growth rate of 5% p.a. Determine cost of equity capital.
- 9 a. The capital structure of Bharath Ltd. Consists of Equity share capital of Rs. 1,00,000 and 8% debentures of Rs. 50,000. The costs are Rs. 10,000. You are required to calculate the operating leverage when earnings before interest and taxes are Rs. 20,000.

OR

- b. Describe the Limitations of Financial leverage.
- 10 a. Examine the principal motive for holding cash.

OR

- b. Peerless Ltd. is engaged in retailing. You are required to forecast their working capital requirements from the following information:
- Projected annual sales Rs. 6,50,000
  - Percentage of Net profit on sales 20%
  - Average credit allowed to debtors –10 weeks
  - Average credit allowed by creditors – 4 weeks
  - Average stock carrying (in terms of sales requirement) – 8 weeks

**SECTION -C (30 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks

(5 x 6 = 30)

- 11 a. Demonstrate the scope of financial management.

OR

- b. Explain the functions of financial management.
- 12 a. X Ltd. is producing articles mostly by manual labour and is considering to replace it by new machine. There are two alternative models X and Y of the new machine. Prepare a statement of profitability calculate the pay-back period from the following information. Ignore taxation.

	Machine X	Machine Y
Estimated life of machine	4 years	5 years
Cost of machine	Rs. 9,000	Rs. 18,000
Estimated saving in scrap	Rs. 500	Rs. 800
Estimated saving in direct wages	Rs. 6,000	Rs. 8,000
Additional cost of machine	Rs. 800	Rs. 1,000
Additional cost of supervision	Rs. 1,200	Rs. 1,800

OR

- b. A choice is to be made between two competing proposals which require an equal investment of Rs. 50,000 and are expected to generate net cash flows as under:

	Project I (Rs.)	Project II (Rs.)
End of year 1	25,000	10,000
End of year 2	15,000	12,000
End of year 3	10,000	18,000
End of year 4	Nil	25,000
End of year 5	12,000	8,000
End of year 6	6,000	4,000

The cost of capital of the company is 10 per cent. The following are the present value factors at 10%p.a.

Year	1	2	3	4	5	6
P.V factor @ 10%	0.909	0.826	0.751	0.683	0.621	0.564

13 a. Define cost of capital and explain the significance of cost of capital.

OR

b. From the following particulars, calculate the Weighted Average Cost of Capital using book value of weights.

	Book Value (Rs.)	After tax cost (%)
Equity share capital	4,00,000	14
Retained earnings	2,00,000	13
Preference share capital	1,00,000	10
Debentures	3,00,000	6

14 a. High light the determinants of capital structure.

OR

b. The operating and cost data of Ashok Ltd. are as follows:

Sales 40,000 units at Rs. 10 per unit

Variable cost at Rs. 7.50 per unit

Fixed cost Rs. 80,000 (including 15% interest on Rs. 2,00,000)

Calculate the Operating, Financial and Combined Leverages.

15 a. Elaborate the factors influencing the size of receivables.

OR

b. Discuss the importance of working capital for a business concern.

Z-Z-Z

END

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BVoc DEGREE EXAMINATION MAY 2023  
(Fourth Semester)  
Branch – BANKING, STOCK & INSURANCE  
INCOME TAX

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(5 x 1 = 5)

- 1 In which year the income tax act was passed?  
(i) 1935 (ii) 1950  
(iii) 1961 (iv) 1972
- 2 Which of the following is not deductible from annual value?  
(i) Interest on unpaid interest  
(ii) Interest on loan taken for repairs  
(iii) Interest on loan taken for reconstruction  
(iv) None of these
- 3 Which expense is not an admissible expense?  
(i) Bad debts (ii) Sales tax  
(iii) Income tax (iv) Excise duty
- 4 Deduction in respect to donation to charitable institution comes u/s \_\_\_\_\_.  
(i) 80E (ii) 80G  
(iii) 80GG (iv) None of these
- 5 Who amongst the following confers on the power to issue circulars and clarifications?  
(i) ITAT (ii) Central Government  
(iii) CBDT (iv) State Government

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

- 6 a) Outline the Previous year and Assessment year.  
(OR)  
b) Mr. B, a married citizen of India left for Germany for the first time on 15.9.2020 on a business trip. He returned to India on 5.6.2021. During his absence from India he maintained a dwelling house for himself in Calcutta. Compute his residential status for the assessment year 2022-2023.
- 7 a) Compute Gross Salary of Mr. Ram from the following information.  
i) Salary @ Rs.30,000 p.m  
ii) D.A @ Rs.6,000 p.m  
iii) C.C.A @ Rs.1,000 p.m  
iv) House Rent Allowance @ Rs.8,000 p.m.  
v) Commission on turnover achieved by him is Rs.40,000  
vi) Living in own house  
(OR)  
b) Calculate ARV from the particulars given below:

MRV Rs.60,000 p.a.	Actual Rent Rs.7,000 p.m.
FRV Rs.66,000 p.a.	Standard Rent Rs.69,000 p.a.

Note: House was vacant for 2 months during the previous year 2021-2022.
- 8 a) Compare Business Vs Profession.  
(OR)  
b) Calculate the taxable capital gain from the following particulars given below.  
i) Net consideration of a residential house Rs.10,00,000 (2.6.2021) (C.I.I :317)  
ii) Cost of acquisition of this house Rs.2,10,000 (1.5.2007) (C.I.I:129)  
iii) New house acquired on 1.9.2021 for Rs.2,00,000.

Cont...

- 9 a) From the Following information compute the income from other sources for the assessment year 2022-2023.

	Rs.
i) Card games loss	12,000
ii) From the activity of owning and maintaining horses for race purposes	
a) Loss at Bombay	40,000
b) Profit at Bangalore	20,000
iii) Dividend (Gross) from Indian companies	6,000
iv) Betting in Horse races	4,000

(OR)

- b) The following are the particulars of income and loss of an individual under different heads of income. Set-off losses in the A.Y. 2021-2022 and find out Gross Total Income:

Particulars	Rs.	Particulars	Rs.
Income from House Property- A	5,000	Profit from Speculation Business	20,000
Income from House Property- B	-8,000	Loss from short-term capital assets	6,000
Income from interest on Securities	20,000	Long-term capital loss	25,000
Income from a cycle business	-20,000	Long-term capital gain (Investments)	21,000

- 10 a) State the provisions relating to Search and Seizure.

(OR)

- b) Explain the powers of assessing officer.

**SECTION -C (30 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks (5 x 6 = 30)

- 11 a) Describe the exempted incomes u/s 10.

(OR)

- b) The following are the incomes of Mr.Salman for the previous year 2021-2022.

	Rs.
i) Profit on sale of machinery in Chennai but received in Australia	30,000
ii) Profit from business in Canada, the business being controlled from India(one-third received in India)	42,000
iii) Income from house property in Iran	20,000
iv) Agricultural income from England and was received there but later brought to India	8,000
v) Past untaxed foreign income brought into India during the previous year 2021-2022	6,000

Compute the total income of Mr.Salman for the assessment year 2022-2023 if he is Resident, Not ordinarily Resident and Non resident.

- 12 a) Mr. A gets a salary of Rs.40,000 p.m and is provided with rent free accommodation at Ludhiana (Population 20 lakhs ) whose fair rental value is Rs.15,000 p.m. He gets leave encashment for the current previous year of Rs.20,000 during the year. House was provided to him with effect from 1.7.2021. His salary is due on 1<sup>st</sup> day of every month. Calculate the value of Rent free accommodation and gross salary.

(OR)

- b) Mr. P is the owner of a house property in Rourkela. It has been let out for Rs.90,000. The tax payable by the owner comes to Rs.8,400 on municipal valuation of Rs.84,000 but the landlord has taken an agreement from the tenant stating that the tenant would pay tax direct to the municipality. The landlord, however , bears the following expenses on tenant's amenities:

	Rs.
Water charges (as per agreement)	1,000
Lift Maintenance	1,000
Salary of Gardener	1,200
Lighting of stairs	800
The Land lord claims the following deductions:	
Repairs	30,000
Land revenue	1,000
Collection Charges	2,000
Legal charges incurred on purchase of land on which property is situated Rs.24,000.	
Compute the taxable house property.	

- 13 a) From the following statement, compute the income from Profession of Dr. S.K.Kapoor if accounts are maintained on cash system:

Particulars	Rs.	Particulars	Rs.
To dispensary rent	36,000	By visiting fees	45,000
To Electricity & Water charges	6,000	By Consultation fess	1,25,000
To Telephone charges	6,000	By Sale of Medicines	72,000
To Salary to Nurse & compounder	36,000	By Dividends	5,000
To Dep. On Surgical Equipment	6,000		
To Purchase of medicines	36,000		
To Dep. On X-ray machine	4,000		
To Income Tax	5,500		
To Donations	4,000		
To Motor car expenses	9,600		
To Dep. On Car	4,000		
To Net Income	93,100		
	<b>2,47,000</b>		<b>2,47,000</b>

- Notes: 1) Electricity & Water charges included domestic bill of Rs.2,500.  
 2) Half of Motor car expenses are for professional use.  
 3) Telephone Expenses included 40% for personal use.  
 4) Opening stock of Medicines was Rs.6,000 and closing stock was Rs.4,000.

(OR)

- b) Mr.Ankit purchased a residential house during the previous year 2001-02 for Rs 40 lakhs and sold it for Rs 2 crores during the previous year 2021-22. He purchased two houses worth Rs.36 lakhs each on February 21, 2022. Calculate taxable capital gain u/s 54 for the assessment year 2022-23.
- 14 a) Explain in detail what are the deductions available u/s 80 out of gross total income.  
 (OR)
- b) Mr Ram received the following gifts during the previous year 2021-22.
- Rs 11,000 from his father.
  - Rs 11,000 from his grandfather.
  - Rs 11,000 from his father's cousin.
  - Rs 5,000 from his father's friend.
  - Rs 5,000 from his own friend.
  - Rs 51,000 from his friend from U.S.A.
  - Rs 5,000 from his mother's cousin.
  - Rs 21,000 from other friends and neighbours.
  - He received of a gift of an imported watch worth Rs.35,000 from another friend from U.S.A.
- Find out the taxable gifts for the Assessment Year 2022-23.
- 15 a) Identify the powers of CBDT.  
 (OR)
- b) Outline the Best Judgement Assessment.

Z-Z-Z

END

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BVoc DEGREE EXAMINATION MAY 2023  
(Fifth Semester)

Branch – BANKING, STOCK AND INSURANCE

CORPORATE ACCOUNTING

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks (10 x 1 = 10)

1. Discount on issue of shares is a :  
(i) Revenue loss (ii) Capital loss  
(iii) Deferred Expenditure (iv) Neither of the above
2. The profit on re-issue of forfeited shares is transferred to :  
(i) General reserve (ii) Capital redemption reserve  
(iii) Capital reserve (iv) profit and Loss A/c
3. Interest on debentures is normally payable  
(i) Half yearly (ii) Quarterly  
(iii) Annually (iv) Monthly
4. Debenturesholders are the:  
(i) Customers of the company (ii) Creditors of the company  
(iii) own of the company (iv) None of the above
5. Dividend is paid on  
(i) Authorized capital (ii) Issued Capital  
(iii) Called up capital (iv) Paid up capital
6. Loss prior to incorporation should be debited to:  
(i) Goodwill a/c (ii) Revenue Reserves a/c  
(iii) Capital reserve a/c (iv) None of the above
7. Goodwill is paid for obtaining  
(i) future benefit (ii) present benefit  
(iii) past benefit (iv) none of the above
8. Preferential creditors are shown in the statement of affairs under:  
(i) List D (ii) List B (iii) List C (iv) List A
9. Under double account system, depreciation is  
(i) Debited to Revenue a/c (ii) Debited to Net Revenue a/c  
(iii) Credited to the Asset a/c (iv) Credited to Depreciation fund a/c
10. When an asset is replaced, any amount realized on sale of old materials will be credited to  
i) Net Revenue a/c ii) Revenue a/c  
iii) Asset a/c iv) Replacement a/c

SECTION - B (35 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 7 = 35)

- 11(a) Anandhi Ltd. Issued shares as detailed below
- i) Public issue of 50,000 shares of Rs.10 each at par for cash. The issue was fully subscribed and the amount was received in full
  - ii) Issued 20,000 shares of Rs.10 each to Mano ltd. in consideration for assets purchased from them
  - iii) Issued 20,000 shares of Rs.10 each to the promoters. in consideration for their services
- Pass journal entries and prepare the balance sheet.

[OR]

Cont...

(b) A company issues 10,000 equity shares of Rs.10 each at par. The issue was underwritten by K&Co, for maximum commission permitted by law. The public applied for and received 8,000 shares. Give journal entries in the company's books and also prepare balance sheet.

12 (a) Anand Ltd. has 10,000 redeemable preference shares of Rs.100 each as part of its share capital. The shares became due for redemption. The company decided that the whole amount will be redeemed out of a fresh issue of capital amount on equity shares of Rs.10 each. Pass journal entries in the books of the company

[OR]

(b) What are the rules regarding redemption of preference shares?

13 (a) From the following data, Calculate Profit Prior to Incorporation:

Time ratio: 1:2

Sales ratio: 1:3

Gross Profit: Rs.1,70,500

Administrative Expenses: Rs.69,600

Expenses relating to sales: Rs.18,600

Preliminary expenses: Rs.11,500

[OR]

(b) Give the balance sheet of a company as per the form prescribed in Part I of schedule III.

14(a) The net profit earned by Manu's & Co during the last four years were:

Year	I Year	II Year	III Year
Profit	Rs.36,000	Rs.40,000	Rs.44,000
Rs.			

The capital employed by Manu's & Co is Rs.10,000.

Fair return on capital, considering the risk involved is Rs.10%.

Calculate the value of goodwill on the basis of three years purchase of super profit.

[OR]

(b) Compute the value of equity share under the net assets method.

Total assets at market value	Rs.60,30,000
Total external Liabilities	Rs.24,00,000
2,00,000 equity shares of Rs.10 each	Rs.20,00,000

15(a) Compute Reasonable return from the following information given below

Capital Base	Rs.34,00,000
Loan from electricity Board	Rs.30,00,000
Development Reserve	Rs.10,00,000
10% Debentures	Rs.8,00,000
Reserve fund investments (6%)	Rs.60,00,000
Assume the bank rate to be 8%	

[OR]

(b) A water supply company had to replace a quarter of its mains and lay auxiliary Mains for the remaining length. The total cost of the old mains is Rs.10,00,000. The cost of auxiliary mains is Rs.9,00,000 and that of the new mains has gone up by 30%. Amount spent on replacement is Rs.3,50,000. Journalise. Show your workings

**SECTION - C (30 Marks)**

Answer any **THREE** Questions

**ALL** Questions Carry **EQUAL** Marks (3 x 10 = 30)

16. A Ltd. invited applications for 10,000 shares of Rs. 100 each at a discount of 5% payable as follows:

On application	Rs. 25
On allotment	Rs. 34
On first & final call	Rs. 36

Applications were received for 9,000 shares and all of these were accepted. All moneys due were received except the first and final call on 100 shares which were forfeited. Of the forfeited shares, 50 shares were reissued at the rate of Rs. 90 as fully paid. Show necessary journal entries in the books of the company.

Cont...



17. A company has 10,000 9% redeemable preference shares of Rs.100 each fully paid. The company decides to redeem the shares on 31<sup>st</sup> December .2014 at a premium of 10%. The Company makes the following issues:

- i. 6,000 equity shares of Rs.100 each at a premium of 10%
- ii. 4,000 8% debentures of Rs.100 each

The issue was fully subscribed and allotments were made. The redemption was duly carried out. The company has sufficient profits.

You are required to give the necessary entries.

18. The following is the trial balance of Rajalakshmi Ltd. As 30<sup>th</sup> June 2016

Particulars	Dr. Rs.	Cr. Rs.
Stock, 30 <sup>th</sup> June 2015	75,000	
Sales		3,50,000
Purchases	2,45,000	
wages	50,000	
Discount		5,000
Furniture and fittings	17,000	
Salaries	7,500	
Rent	4,950	
Sundry Expenses	7,050	
P&L Appropriation A/c 30 <sup>th</sup> June 2015		15,030
Dividend	9,000	
Share capital		1,00,000
Debtors and Creditors	37,500	17,500
Plant and Machinery	29,000	
Cash and Bank	16,200	
Reserve		15,500
Patents and Trade Mark	4,830	
	<b>5,03,030</b>	<b>5,03,030</b>

Prepare Trading account, Profit and Loss account, Profit and loss appreciation account for the year ended 30<sup>th</sup> June 2016 and Balance sheet of the company as on that date. Take into consideration the following adjustments:

- 1) Stock on 30<sup>th</sup> June 2016 was valued at Rs.83,000.
- 2) Depreciation on fixed assets @10%
- 3) Make a provision for income tax @50%.

19. The following particulars relate to a limited company which went into voluntary liquidation:

Preferential creditors	Rs. 1, 50,000
Unsecured creditors	Rs.30, 00,000
6% Debentures	Rs. 30,000

The assets realized Rs.80, 000. The expenses of liquidation amounted Rs.1, 500 and the liquidator's remuneration was agreed at 2 ½% on the amount realized and 2% on the amount paid to unsecured creditors including preferential creditors.

Show the liquidator's final statement of account

20. Explain the various methods of valuation of human resources.

Z-Z-Z END