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DE–3251

DISTANCE EDUCATION

M.F.C. DEGREE EXAMINATION, MAY 2008.

First Year

MANAGEMENT CONCEPTS AND PRACTICE

Time : Three hours Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. Explain the features that determine the nature of management.
2. Examine the distinction between administration and management. Is such distinction really meaningful?
3. Write an explanatory note on Management by Objectives.
4. What is decision-making? Discuss the process of decision-making.
5. Differentiate between formal and informal organization.
6. What do you mean by ‘Job Evaluation’ and ‘Job Analysis’?
7. Discuss the need for manpower planning. What are the steps in manpower planning?
8. What is budgetary control? How are budgets used for controlling?

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

1. Compare and contrast the works of F.W. Taylor and Henry Fayol.
2. Discuss the role of planning in a modern business organization. Enumerate steps involved in planning process.
3. State and explain the common causes of conflict between line and staff management in an organization.
4. What are the various methods of training managers? Discuss any one of them in detail.
5. Explain the importance of communication and discuss various barriers to effective communication.
6. What is leadership? Why is there a need for leadership? Discuss the different styles of leadership.
7. Write an explanatory note on CPM and PERT techniques of control.

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DE–3252

DISTANCE EDUCATION

M.F.C. DEGREE EXAMINATION, MAY 2008.

FINANCIAL ACCOUNTING AND ANALYSIS

Time : Three hours Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. Explain briefly various accounting concepts.
2. What are subsidiary books? Briefly explain the purpose of each one them.
3. State the difference between Trial Balance and   
   Balance sheet.
4. Explain the treatment of the following in company final accounts :
   1. (a) Preliminary expenses
   2. (b) Interim Dividend.
5. Differentiate between inter-firma and intra-firm comparison.
6. The following balances are extracted from the books of Ashok on 31st March, 2004 :

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs. |  | Rs. |
| Capital | 50,000 | Creditors | 5,000 |
| Drawings | 4,000 | Bad debts | 1,100 |
| General expenses | 5,000 | Loan | 15,760 |
| Buildings | 22,000 | Sales | 1,30,720 |
| Machinery | 18,680 | Purchases | 94,000 |
| Stock | 32,400 | Motor Car | 4,000 |
| Power | 4,480 | Reserve Fund (Cr.) | 1,800 |
| Taxes and Insurance | 2,630 | Commission (Cr.) | 2,640 |
| Wages | 14,400 | Car expenses | 3,600 |
| Debtors | 12,560 | Bills payable | 6,700 |
| Bank O/D | 6,600 | Cash | 160 |
| Charity | 210 |  |  |

* 1. Stock on 31st March, 2004 was valued at Rs. 47,000. Prepare Trading and Profit and Loss A/c and Balance sheet.

1. Find out purchases and sales from the following details by making necessary accounts :

|  | Rs. |
| --- | --- |
| Opening balance of debtors | 30,000 |
| Opening balances of creditors | 10,000 |
| Collections from debtors | 1,60,000 |
| Discount received | 2,500 |
| Bad debts | 1,000 |
| Payment to creditors | 14,000 |
| Discount allowed | 1,500 |
| Returns inwards | 2,000 |
| Returns outwards | 3,000 |
| Cash purchases | 6,000 |
| Cash sales | 10,000 |
| Closing balance of debtors | 35,000 |
| Closing balance of creditors | 15,000 |

1. Rectify the following errors :
   1. (a) Sales to Sridhar Rs. 152, posted to his account at Rs. 125.
   2. (b) Purchased goods from Manohar Rs. 550, credited as Rs. 505.
   3. (c) Received bills receivable from Seenu Rs. 1,000 posted as Rs. 100.
   4. (d) Purchased furniture from Raghu Rs. 404 on credit debited as Rs. 440
   5. (e) Discount allowed Rs. 64 to Anbu credited to his account as Rs. 46.

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

1. Define Human Resource Accounting. Explain the methods of valuation of human assets.
2. Discuss the application of computers in Accounting.
3. Discuss the benefits and limitations of ratio analysis.
4. Following balances are extracted from the books of account of Matern Industries Ltd. as on 31st March, 1996 :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Rs. |  | Rs. |
| Share capital |  |  |  |  |
| (1,00,000 equity shares of Rs. 10 each.) |  |  |  | 10,00,000 |
| Freehold factory premises |  | 7,00,000 |  |  |
| Leasehold office premises |  | 5,00,000 |  |  |
| 5000, 6% Debentures of Rs. 100 each. |  |  |  | 5,00,000 |
| Bank balance |  | 10,500 |  |  |
| General Reserve |  |  |  | 75,000 |
| Motor car |  | 1,15,000 |  |  |
| Plant and Machineries |  | 2,70,000 |  |  |
| Sinking Fund for leasehold premises |  |  |  | 15,000 |
| Sundry debtors |  | 2,50,000 |  |  |
| Computer |  | 30,000 |  |  |
| Profit and Loss Account : |  |  |  |  |
| Year ended 31.3.95 | 22,455 |  |  |  |
| Year ended 31.396 | 6,25,000 |  |  |  |
|  | 6,47,455 |  |  |  |
| Less : Debenture Interest | 30,000 |  |  | 6,17,455 |
| Goodwill |  | 2,00,000 |  |  |
| Stock |  | 1,30,000 |  |  |
| Cash in hand |  | 1,955 |  |  |
|  |  | 22,07,455 |  | 22,07,455 |

* 1. At the meeting of the Board of Directors it was decided to provide :
  2. (a) 3% depreciation on freehold factory premises
  3. (b) 10% bonus on the year’s salary to office staff of Rs. 80,000
  4. (c) 15% bonus on the year’s wages to factory workers of Rs. 1,00,000
  5. (d) 10% sinking fund on leasehold premises
  6. (e) Rs. 3,000 as director’s fees

(f) 15% dividend for the year to shareholders (ignore income tax)

(g) Transfer Rs. 30,000 to General reserve account.

* 1. Prepare Profit and Loss Account, Profit and Loss Appropriation Account and Balance sheet in the prescribed form as per schedule VI of the Companies Act, 1956 as on 31st March, 1996.

1. Following are the summarised Balance sheets of AMCO as on December 31, 2000 and 2001.

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | 2000 |  | 2001 |
|  | Rs. |  | Rs. |
| Land and Building | 2,00,000 |  | 1,90,000 |
| Machinery | 1,50,000 |  | 1,69,000 |
| Stock | 1,00,000 |  | 74,000 |
| Sundry Debtors | 80,000 |  | 64,200 |
| Cash | 500 |  | 600 |
| Bank | — |  | 8,000 |
| Goodwill | — |  | 5,000 |
|  | 5,30,500 |  | 5,10,800 |
| Liabilities : | 2000 |  | 2001 |
|  | Rs. |  | Rs. |
| Share capital | 2,00,000 |  | 2,50,000 |
| General Reserve | 50,000 |  | 60,000 |
| Profit and Loss | 30,500 |  | 30,600 |
| Bank Loan (long term) | 70,000 |  | — |
| Sundry creditors | 1,50,000 |  | 1,35,200 |
| Provision for taxation | 30,000 |  | 35,000 |
|  | 5,30,500 |  | 5,30,500 |

* 1. Additional information supported :
  2. (a) Dividend of Rs. 23,000 was paid
  3. (b) Assets of another company was purchased for a consideration of Rs. 50,000 payable in shares. The following assets were purchased :
  4. Stock Rs. 20,000 and Machinery Rs. 25,000.
  5. (c) Machinery was further purchased for Rs. 8,000
  6. (d) Depreciation written off on machinery Rs. 12,000
  7. (e) Income tax provided during the year Rs. 33,000

(f) Loss on sale of machine Rs. 200 was written off to general reserve.

* 1. You are required to prepare statement of funds flow.

1. Following are the ratios relating to the trading activities of State Traders Ltd. :
   1. Debtor’s velocity 3 months
   2. Stock velocity 8 months
   3. Creditor’s velocity 2 months
   4. Gross profit ratio 25%
   5. Gross profit for the year ended 31st December, 2002 amount to Rs. 4,00,000. Closing stock of the year is Rs. 10,000 above the opening stock. Bills Receivable amount to Rs. 25,000 and bills payable to Rs. 10,000.
   6. Find out :
   7. (a) Sales
   8. (b) Sundry debtors
   9. (c) Closing stock and
   10. (d) Sundry creditors.
2. A trader keeps his books by single entry. During the year 2002 he kept a cash book of which the following is the   
   analysis :

|  |  |
| --- | --- |
|  | Rs. |
| Received from sundry debtors | 1,28,000 |
| Additional capital introduced in 1st Oct, 2002 | 16,000 |
| Loan from Nazar at 16% p.a. on 1st July, 2002 | 21,000 |
| Paid to sundry creditors | 1,15,400 |
| General expenses paid | 7,800 |
| Salaries paid | 6,000 |
| Drawings | 8,000 |
| Deposits in the bank during the year | 1,00,000 |
| Withdrawals from the bank during the year | 72,000 |

* 1. The following balances existed on 1st January, 2002 : Sundry debtors Rs. 30,600 ; Sundry creditors Rs. 23,000 ; Bank overdraft Rs. 16,000 ; Buildings Rs. 85,000 ; Stock Rs. 43,600 and cash balance Rs. 1,200.
  2. The following balances existed on 31st Dec. 2002 :
  3. Sundry debtors Rs. 32,000 ; Sundry creditors Rs. 23,800 and stock Rs. 52,000
  4. Depreciate building by 5% and provide interest on Nazar’s loan.
  5. Prepare Trading and Profit and Loss Account for the year ended 31st Dec. 2002 and Balance sheet as on that date.

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DE-3253

DISTANCE EDUCATION

M.F.C. DEGREE EXAMINATION, MAY 2008.

COST AND MANAGEMENT ACCOUNTING

Time : Three hours Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions only.

1. What is Cost Sheet? Briefly narrate its purpose.
2. Write a short notes on ‘‘equivalent production’’.
3. Briefly explain the scope of management accounting.
4. Distinguish between ‘‘Cost Reduction’’ and ‘‘Cost Control’’.
5. Calculate the total earnings and the rate earned per hour of two workmen under the Halsey and Rowan plans; the bonus under Halsey plan is 50% of the time saved.
   1. Standard time 20 hours
   2. Hourly rate of wages Rs. 4
   3. Time taken by Blake - 16 hours; and Browne - 10 hours.
6. Draw up a flexible budget for production at 75% capacity on the basis of the following data for a 50% activity.

|  |  |
| --- | --- |
|  | Per unit  Rs. |
| Materials | 100 |
| Labour | 50 |
| Variable expenses (direct) | 10 |
| Administrative expenses (50% fixed) | 40,000 |
| Selling and distribution expenses (60% fixed) | 50,000 |
| Present production (50% activity) | 1,000 units |

1. Machine Typhon Rs. 1,20,000, half payable immediately and half payable in one year's time. The cash receipts expected are as follows :

|  |  |  |
| --- | --- | --- |
| Year (at the end) | Rs. | d.f. @ 10% |
| 1 | - | 0.909 |
| 2 | 60,000 | 0.826 |
| 3 | 60,000 | 0.751 |
| 4 | 80,000 | 0.683 |
| 5 | - | 0.621 |

* 1. The cost of capital is 10%. Is investment desirable? Discuss it according to net present value method.

1. From the particulars given below calculate :
   1. (a) Break-even point; and
   2. (b) Profit or loss when sales are Rs. 12,000.

|  |  |  |
| --- | --- | --- |
| Period | Sales | Profit/Loss [–] |
|  | Rs. | Rs. |
| I | 10,000 | –500 |
| II | 14,000 | 1,500 |

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions only.

1. Make out the necessary accounts from the following details :

|  |  |  |
| --- | --- | --- |
|  | Process  Sun | Process  Moon |
|  | Rs. | Rs. |
| Materials | 30,000 | 3,000 |
| Labour | 10,000 | 12,000 |
| Overheads | 7,000 | 8,600 |
| Inputs (units) | 20,000 | 17,500 |
| Normal loss | 10% | 4% |
| Sale of wages per unit | Re. 1 | Rs. 2 |

* 1. There was an opening or closing stock or work-in-progress. Final output from process Moon was 17,000 units.

1. Jasmine Ltd., sells two products ‘‘Pearl’’ and ‘‘Emerald’’ which are produced in its special product division. Sales for the year 2004 were planned as follows :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1st Quarter units | 2nd Quarter units | 3rd Quarter units | 4th Quarter units |
| Product ‘‘pearl’’ | 10,000 | 12,000 | 13,000 | 15,000 |
| Product ‘‘Emerald’’ | 5,000 | 4,500 | 4,000 | 3,800 |

* 1. The selling process were Rs. 20 per unit and Rs. 50 per unit respectively for ‘‘Pearl’’ and ‘‘Emerald’’. Average sales returns are 5% of sales and the discounts and bad debts amounted to 4% of the total sales.

1. A firm has to install a machine for production of a part. Two machines Black and White are considered. Their particulars are as follows :

|  |  |  |
| --- | --- | --- |
|  | Machine ‘‘Black’’ | Machine ‘‘White’’ |
| Cost | Rs. 10,000 | Rs. 20,000 |
| Annual capacity | 2,000 units | 5,000 units |
| Economic life | 10 years | 10 years |
| Salvage value | Nil | Nil |
| Materials per unit | Rs. 3.00 | Rs. 3.00 |
| Production cost per unit, other than depreciation | Rs. 5.00 | Rs. 4.50 |
| Part of existing overheads per annum | Rs. 1,000 | Rs. 1,000 |

* 1. Interest is at 9% p.a. The part is available in the market @ Rs. 9 per unit and can be sold at a net price of Rs. 8.50. The firm requires 3,000 units. Show which of the machine will be most economical?

1. From the following information of Product No. 999, calculate
   1. (a) material cost variance
   2. (b) material price variance
   3. (c) material usage variance
   4. (d) material mix variance; and
   5. (e) material subusage variance.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Material | Standard | | Actual | |
|  | Qty. | Price | Qty. | Price |
|  | Kgs. | Rs. | Kgs. | Rs. |
| X | 20 | 5 | 24 | 4.00 |
| Y | 16 | 4 | 14 | 4.50 |
| Z | 12 | 3 | 10 | 3.25 |
| Total | 48 |  | 48 |  |

1. Explain the functions and characteristics of a good costing system.
2. Describe the various bases of apportionment of overheads to departments with illustration as to the items of overhead expense.
3. ‘‘Management accounting is concerned with accounting information which is useful to management’’. Elucidate this statement.

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DE–3254

DISTANCE EDUCATION

M.F.C. DEGREE EXAMINATION, MAY 2008.

First Year

Finance and Control

QUANTITATIVE TECHNIQUES

Time : Three hours Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Describe the points you would consider in drafting a questionnaire.
2. Determine the geometric mean for the following values :
   1. X : 5 8 12 16
3. The following information was obtained from records of a factory relating to the wages :
   1. Arithmetic mean Rs. 56.8
   2. Median Rs. 59.5
   3. Standard deviation Rs. 12.4
   4. Give as much information as you can about the distribution of wages.
4. A can solve 90 per cent of the problems given in a book and B can solve 70 per cent. What is the probability that at least one of them will solve a problem selected at random?
5. A simple sample of the height of 6,400 Englishmen has a mean of 67.85 inches and a standard deviation of 2.56 inches while a simple sample of heights of 1,600 Austrians has a mean of 68.55 inches and standard deviation of 2.52 inches. Do the data indicate that the Austrians are on the average taller than the Englishmen?
6. Explain the concept of regression. How does it differ from correlation?
7. In a distribution exactly normal, 7 per cent of the items are under 35 and 79 per cent are under 63. What is the mean and standard deviation of the distribution?
8. What do you understand by ‘decision theory’? Indicate the difference between decision under risk and decision under uncertainty.

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

All questions carry equal marks.

1. Distinguish between primary and secondary data. State the sources of secondary data and the precautions to be taken before using such data.
2. Calculate mean, median and mode for the following frequency distribution :

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Marks : | 0–20 | 21–30 | 31–40 | 41–50 | 51–60 | 61–70 | 71–80 |
| No. of students : | 21 | 19 | 60 | 42 | 24 | 18 | 15 |

1. The following are the scores of M and R for 8 innings :

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| M : | 12 | 115 | 76 | 42 | 7 | 19 | 49 | 80 |
| R : | 47 | 12 | 76 | 73 | 24 | 51 | 63 | 54 |

* 1. Who of the two is more consistent batsman?

1. One hundred car stereos are inspected as they came off the production line and number of defects per set is recorded below :

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No. of defects : | 0 | 1 | 2 | 3 | 4 |
| No. of sets : | 79 | 18 | 2 | 1 | 0 |

* 1. Fit of Poisson distribution to the above data.

1. The life time of electric bulbs for a random sample of   
   10 from a large consignment gave the following data :

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Item : | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Life in '000 hours : | 4.2 | 4.6 | 3.9 | 4.1 | 5.2 | 3.8 | 3.9 | 4.3 | 4.4 | 5.6 |

* 1. Can we accept the hypothesis that the average life time of bulbs is 4,000 hours.

1. The following data relate to the prices and supplies of a commodity during a period of eight years :

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Price (Rs./kg) : | 10 | 12 | 18 | 16 | 15 | 19 | 18 | 17 |
| Supply (100 kg) : | 30 | 35 | 45 | 44 | 42 | 48 | 47 | 46 |

* 1. Calculate the co-efficient of correlation between the two series.

1. Find the maximum value 
   1. Subject to the constraints :



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**15**

DE–3255

DISTANCE EDUCATION

M.F.C. DEGREE EXAMINATION, MAY 2008.

BUSINESS LAW

Time : Three hours Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Define “offer”.
2. What is meant by Indemnity?
3. What is meant by warranty?
4. Define a cheque.
5. What is meant by Insurable interest?
6. What is bill of lading?
7. What is meant by duress?
8. Who is a Pawnee?

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

All questions carry equal marks.

1. What are the essential elements of a valid contract?
2. Explain the duties and liabilities of an agent.
3. Distinguish between sale and agreement to sell.
4. Discuss the legal implications of different types of crossing.
5. Discuss the features of any three life insurance policies.
6. Explain the rights of a carrier of goods.
7. What are the remedies available for the aggrieved party against breach of contract?
8. ————————

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**21**

DISTANCE EDUCATION

M.F.C. DEGREE EXAMINATION, MAY 2008.

FINANCIAL MANAGEMENT

Time : Three hours Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. What is meant by maximization of profit?
2. What are the advantages of convertible debentures?
3. Define gross working capital.
4. Briefly explain retained earnings.
5. How are current assets used?
6. What is meant by operating lease?
7. What is stable dividend policy?
8. What is meant by inventory?

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

All questions carry equal marks.

1. Describe various techniques of inventory management.
2. Explain the functions of financial management.
3. What are the advantages and disadvantages of public deposits as a source of finance?
4. With the following Balance Sheet of Hypothetical Company Ltd. and the additional information given compute the weighted average cost of capital. Assume tax rate 50% and ignore short term funds.

Balance Sheet of Hypothetical Co. Ltd.

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Liabilities | 1. Rs. in lakhs | 1. Assets | 1. Rs. in lakhs |
| 1. 40,000 equity shares |  | 1. Fixed assets 100 |  |
| 1. of Rs. 100 each | 1. 40 | 1. Less : |  |
| 1. Reserves and surplus | 1. 20 | 1. Depreciation 25 | 1. 75 |
| 1. 10,000, 6% cumulative |  | 1. Current assets | 1. 75 |
| 1. preference shares of |  |  |  |
| 1. Rs. 100 each | 1. 10 |  |  |
| 1. 20,000, 9.5% cumulative |  |  |  |
| 1. preference shares of |  |  |  |
| 1. Rs. 10 each | 1. 20 |  |  |
| 1. 1,000, 7% debentures of |  |  |  |
| 1. Rs. 1,000 each | 1. 10 |  |  |
| 1. Current liabilities and |  |  |  |
| 1. provisions | 1. 50 |  |  |
|  | 1. 150 |  | 1. 150 |

Additional information :

(a) Average market price

(i) per equity share Rs. 125

(ii) per 6% cum. pref. share Rs. 65

(iii) per 9.5% cum pref. share Rs. 102

(iv) per 7% debenture Rs. 90

(b) Book value per equity share Rs. 150

(c) Average earnings per equity share Rs. 18

(d) E/P (18/125) – 14.4%.

1. Discuss the steps to be taken to reduce receivables in a company in which the life of receivables is long.
2. The following are the particulars regarding 2 machines which are mutually exclusive :

|  |  |  |
| --- | --- | --- |
|  | Machine *A* | Machine *B* |
|  | Rs. | Rs. |
| Cost | 3,60,000 | 6,00,000 |
| Salvage value | 0 | 50,000 |
| Investment in working capital required | 9,00,000 | 1,20,000 |
| Economic life | 3 years | 5 years |
| After tax cash flow | 1,80,000  a year | 2,60,000  a year (1 to 3) |
|  |  | 3,40,000  a year (4 – 5) |

If the company can earn 10% after tax on alternative investments, which machine should be purchased under NTV method?

1. Explain the factors influencing dividend decisions.

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DE–3257

**22**

DISTANCE EDUCATION

M.F.C. DEGREE EXAMINATION, MAY 2008.

INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT

Time : Three hours Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. ‘‘No investment is risk-free’’. Do you agree?
2. Explain briefly the fixed income securities.
3. What are the expected rates of return on the market and the project?
4. What is the relationship between the P/E ratio and risk?
5. Write short notes on walk theory.
6. What is meant by yield-to-maturity (YTM)? Explain.
7. Discuss the recent changes in the financing pattern of Indian Companies.
8. Explain the special features of portfolio audit.

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

1. What risks are associated with the purchase for investment of preference share, and how can they be estimated?
2. Does an increase in a firm’s growth rate of earnings always mean an increase in its intrinsic value? Explain.
3. Explain how the efficient frontier is determined using Markowitz approach. Use a two-security approach.
4. Explain the difference between a security characteristic line and the capital market line.
5. ‘‘Formula plans and the investor in overcoming his emotional involvement with the timing of purchase and sales of stock’’. Comment.
6. Distinguish between current yield, yield to maturity and coupon rate. Discuss the concept involved.
7. Explain the application and techniques of Lagrange multiplier method.

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DE-3258

DISTANCE EDUCATION

M.F.C. DEGREE EXAMINATION, MAY 2008.

FINANCIAL SERVICES AND INSTITUTIONS

Time : Three hours Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. Define sweat equity. What are the reasons for issuing sweat equity?
2. Why do companies issue shares in primary market?
3. What is close ended system under mutual funds?
4. State the advantages of professionally managed portfolio.
5. What are the functions of general insurance companies?
6. Explain the mechanism circuit filters.
7. Give a brief account of price surveillance system adopted in stock exchanges.
8. Explain the role of investor association for the functioning of the capital market.

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

1. State the guidelines issued by SEBI in pricing and allotment of new issue?
2. Give an account of various types of mutual funds available in Indian capital market.
3. Explain the nature and organization of government securities market.
4. Discuss the dematerialization and rematerialisation procedures in NSDL.
5. What is listing? Why do companies get their shares listed in stock exchanges? What are the disadvantages in listing the shares from the view point of the company?
6. Enumerate the different types of stock indices. Explain the construction of any one of them.
7. What are the major initiatives taken in order to protect the investors form the volatility in the capital market?

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DE–3259

DISTANCE EDUCATION

M.F.C. DEGREE EXAMINATION, MAY 2008.

GLOBAL FINANCIAL MANAGEMENT

Time : Three hours Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. State different types of global finance.
2. Critically examine the role and idealogies of the IDA and IFC.
3. Write short notes on GDRs and ADRs.
4. Examine the emerging trend in foreign investment flows to India.
5. What are some risks of international business that may not exist for local business?
6. What is meant by ‘‘Cash Mobilisation’’? Why is centralisation of cash management a necessary prerequisite to effective cash mobilisation?
7. Explain the concept of locational arbitrage and the scenario necessary for it to be plausible.
8. When should a company buy a call option for hedging? When should a company buy a put option?

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

1. Discuss the response of the IMF/World Banks to the Third World's demands.
2. Describe the merits and demerits of various international financing methods.
3. Explain the role of foreign capital in growth process. Why has it generally yielded conflicting results?
4. Elaborately discuss the methods of appraising capital projects.
5. What is netting, and how can it improve an MNC's performance?
6. Compare and contrast interest rate parity, Purchasing Power Parity (PPP) and the International Fisher Effect (IFE).
7. Define exposure, differentiating between accounting and economic exposure. What role does inflation play?

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**25**

DE–3260

DISTANCE EDUCATION

M.F.C. DEGREE EXAMINATION, MAY 2008.

TAXATION AND TAX PLANNING

Time : Three hours Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. How would you determine the residential status of a person?
2. Explain the concept of income and give its features.
3. Define profit in lieu of salary. To what extent are these exempted from tax.
4. Define Annual value. How it is determined?
5. Discuss the procedure for computation of capital gains as prescribed by the income-tax Act 1961.
6. Enumerate the items of deductions allowable in computing income from other sources.
7. What do you understand by the qualifying amount  
   u/s 80 G?
8. What are the rules regarding set off and carry forward of losses of a company?

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

1. List out the important incomes which are totally exempt from income-tax.
2. Mr. X an employee of Ranchi based company provides the following particulars of his salary income :
   1. (a) Basic salary — Rs. 12,000 p.m.
   2. (b) Profit bonus — Rs. 12,000
   3. (c) Commission on turnover achieved by Mr. X—  
      Rs. 42,000
   4. (d) Entertainment allowance — Rs. 2,000 p.m.
   5. (e) Club facility — Rs. 6,000
   6. (f) Transport allowance — Rs. 1,000 p.m.
   7. (g) Free use of car more than 1.6 lt capacity for both personal and employment purposes, expenses are met by employer.
   8. (h) Rent free house provided by employer. Lease rent paid by employer — Rs. 6,000 p.m.
   9. (i) Free education facility for three children of the employee (Bills issued in the name of the employer) —   
      Rs. 22,500
   10. (j) Gas, water and electricity bills issued in the name of employee but paid by employer — Rs. 16,800
   11. Compute income under the head salary for the assessment year 2006–07.
3. Shri Krishna constructed one house which consists of two equal independent units in 1990. One of the units is let out and other unit is occupied for his own residence. The let out portion was also self-occupied for 2 months. The particulars are
   1. Fair rental value of full house — Rs. 9,600 p.a.
   2. Municipal rental value of full house — Rs. 5,000 p.a.
   3. Actual rent of 50% portion — Rs. 400 p.m.
   4. Local taxes — Rs. 1,000
   5. Ground rent — Rs. 100
   6. Repairs — Rs. 900
   7. Insurance premium — Rs. 200
   8. Collection charges — Rs. 300
   9. Interest on loan taken for construction — Rs. 1,000
   10. His income from all other sources — Rs. 12,000 p.a.
   11. Determine his income from house property.
4. From the following statement, compute the income from profession of Dr. S.K. Kapoor if accounts are maintained on mercantile system.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs. |  | Rs. |
| To Dispensary rent | 36,000 | By Visiting fees | 45,000 |
| To Electricity and water charges | 6,000 | By Consultation fees | 1,25,000 |
| To Telephone expenses | 6,000 | By Sale of medicines | 72,000 |
| To Salary to nurse |  | By Dividends | 5,000 |
| and compounder | 36,000 |  |  |
| To Dep. on surgical equipment | 6,000 |  |  |
| To Purchase on medicines | 36,000 |  |  |
| To Dep. on X. ray machine | 4,000 |  |  |
| To Income tax | 5,500 |  |  |
| To Donation to Ramakrishna |  |  |  |
| mission | 4,000 |  |  |
| To Motor car expenses | 9,600 |  |  |
| To Dep. on car | 4,800 |  |  |
| To Net income | 93,100 |  |  |
|  | 2,47,000 |  | 2,47,000 |

* 1. Notes :
  2. (a) Electricity and water charges include domestic bill of Rs. 2,500
  3. (b) Half of motor car expenses are for professional use.
  4. (c) Telephone expenses include 40% for personal use.
  5. (d) Opening stock of medicines was Rs. 6,000 and closing stock was Rs. 4,000.

1. Mr. Karthick purchased a house in Udipi in 1976 for  
   Rs. 1,00,000. He incurred the following expenses for the improvement of the house.
   1. Renovation of the house Rs. 25,000 and additions of 2 rooms after one year. The F.M.V. of the house on 1.4.81 was  
      Rs. 1,80,000. He sold the house in May 2005 for Rs. 14,00,000. He purchased another house property within 2 months for  
      Rs. 3,00,000 and invested in capital gains account scheme  
      Rs. 50,000. Calculate taxable capital gain for the previous year 2005-06. CII for 1981-82 was 100 for 2005-06 is 497.
2. The following are particulars of Income of Mr. Ravi for the assessment year 2006–07 :
   1. (a) Income from house property (computed) —  
      Rs. 61,200
   2. (b) Business income — Rs. 80,000
   3. (c) Dividends (Gross) from a Co-op society — Rs. 500
   4. (d) Long term capital gain : Long term
   5. (i) from land — Rs. 1,000
   6. (ii) from jewellery — Rs. 800.
   7. (e) He had paid Rs. 28,000 as LIC premium on his own life on a policy of Rs. 2,00,000.
   8. (f) He gave Rs. 20,000 as donation to a charitable institution approved under sec. 80 G.
   9. (g) During the year he deposited Rs. 20,000 in an equity linked saving scheme (Dhan 80) notified u/s 80 C.
   10. (h) He deposited Rs. 12,500 in National *Savings* Scheme 1992.
   11. Compute his total income.
3. Explain the provisions of Income-tax Act 1961 regarding carry forward and set-off of losses.

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