

2017

DDE

M.Com. Part-II Examination

COMMERCE

PAPER—VI

Full Marks : 100

Time : 4 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

First Half

(Direct and Indirect Tax)

[Marks : 50]

Answer Q. No. 1 and any two from the rest.

1. Answer any four questions : 4×5

- (a) Explain the terms capital income and revenue income with two examples for each.

(Turn Over)

- (b) You are required to compute the tax liability as per normal provisions from the following information given by Stout Limited —

Net profit as per Profit and Loss Account - Rs. 6,23,560

Some of the items debited include :

Salaries and wages - Rs. 1,18,500

Depreciation : Normal - Rs. 18,960

: Due to revaluation - Rs. 12,760

Outstanding Customs duty : Rs. 22,500

Consultation fees - Rs. 28,000

Provision for ascertained liability - Rs. 3,250

Provision for dividends - Rs. 19,500

Income tax : Rs. 24,330

Wealth tax - Rs. 30,900

Credited items :

Transfer from General Reserve - Rs. 22,200

Transfer from Revolution Reserve Rs. 17,400.

Note : Depreciation as per Income Tax Rules is Rs. 25,500.

- (c) Explain the term 'Indian company'. How does it differ from a domestic company? 3+2

- (d) The identification of residential status of a company decides the chargeability of income. Discuss.
- (e) What do you understand by gross total income? Explain with the help of an illustration.
- (f) An expense in order to be allowed as deduction in computing business income has to fulfill certain conditions. Discuss those conditions.
- (g) Describe the term 'deemed dividend'.
- (h) What is the difference between : exemption and deduction, and heads and sources of income?

2. (a) Fast Ltd. has four plants (plant A, B, C and D) in its first block of asset (having depreciation rate of 15%). The written down value of the block on April 01, 2015 is Rs. 9,25,000. It added plant E at a cost of Rs. 5,55,500 to the block on December 20, 2015. Subsequently, on March 11, 2016, it sold plant C for Rs. 3,78,000.

You are required to calculate the written down value of the block at the end of the financial year 2015-16 along with the depreciation chargeable for the year.

How will your answer change if all the plants qualify for additional depreciation? Show detailed calculations.

- (b) What are the conditions to be fulfilled for claiming depreciation?
- (c) Name any five deductible business expenses.

(4+4)+3+4

3. (a) Swasti Ltd. an Indian company, got incorporated on September 10, 2015 and commenced its production from February 10, 2016. In the financial year 2015-16, the following expenses were incurred by the company :

- (i) Market survey (carried out by a non-approved firm) — Rs. 1,77,000
- (ii) Preparation of feasibility report — Rs. 1,18,000
- (iii) Preparation of project report (by itself) — Rs. 48,000.
- (iv) Legal Charges for preparation of documents (by a non-approved firm) — Rs. 38,700.
- (v) Printing costs of the Memorandum and Articles of Association (from a printing house) — Rs. 25,800.
- (vi) Registration fees of the company — Rs. 22,000

It is also mentioned that :

- Cost of the project — Rs. 28,00,000 and
- Capital employed — Rs. 31,00,000

You are required to determine the preliminary expenses allowable for deduction under section 35D of the Income Tax Act and apply its provisions.

- (b) What is GST ? Name the different types of tax under GST. Mention the advantages from this taxation to the government. 6+(2+3+4)

4. Explain any *three* of the following terms : 3×5

- (a) Registered dealer under the Central Sales Tax Act.
- (b) Inter-State Sale and its types.
- (c) Goods of special importance.
- (d) Declared goods.

5. (a) What do you mean by a company in which the public is substantially interested ?

(b) Explain the term 'assessee' under section 2(7) of the Income Tax Act.

(c) Name any five types of income that are chargeable to tax under the head 'Profits and gains of business or profession'. 6+4+5

Second Half
(Security Management)

[Marks : 50]

Answer Q. No. 6 and any *two* from the rest.

6. Answer any *four* of the following questions : 4×5

(a) Explain the concept of Optimum Portfolio in the context of portfolio selection. 5

(b) Discuss about different kinds of trading activities that take place in a stock exchange. 5

(c) The current dividend on an equity share of National Food Products Ltd. is Rs. 5.00. The present growth rate is 50 percent. However, this will decline linearly over a period of 8 years and then stabilise at 10 percent. What is the intrinsic value per share of the company, if investors require a return of 18 percent from its stock? 5

(d) Sun Ltd. currently pays a dividend of Rs. 4 per share on its equity shares.

(i) If the company plans to increase its dividend at the rate of 8 percent per year indefinitely, what will be the dividend per share in 10 years?

(ii) If the company's dividend per share is expected to be Rs. 7.05 per share at the end of 5 years, at what annual rate is the dividend expected to grow? $2\frac{1}{2}+2\frac{1}{2}$

(e) Write a short note on the investment environment.

(f) Explain the meaning of money market. Name any four money market instruments. 3+2

(g) What do you understand by speculation? How does it differ from gambling? 3+2

(h) What are the assumptions of the Capital Asset Pricing Model?

7. The stock of Beta Ltd. performs well relative to other stocks during recessionary periods. The stock of Cita Ltd,

on the other hand, does well during growth periods. Both the stocks are currently selling for Rs. 100 per share. You assess the rupee return (dividend plus price) of these stocks for the next year as follows :

	Economic Condition			
	High Growth	Low Growth	Stagnation	Recession
Probability	0.3	0.4	0.2	0.1
Return of Beta's Stock	100	110	120	140
Return of Cita's Stock	150	130	90	60

Calculate the expected return and standard deviation of investing :

(i) Rs. 1,000 in the equity stock of Beta Ltd.

(ii) Rs. 1,000 in the equity stock of Cita Ltd.

(iii) Rs. 500 each in the equity stock of Beta Ltd. and Cita Ltd. 5+5+5

8. Discuss the role of various entities in a mutual fund operation. Distinguish between closed-ended and open-ended schemes in mutual fund. 5+5+5

9. Write a short note on the following :

(i) Advantages of investing in a mutual fund.

(ii) Technical analysis.

(iii) Semi-strong form of market efficiency.

10. (a) Following information is available for three mutual funds A, B and C :

Mutual fund	Average yearly portfolio return(%)	Beta value
A	15.5	1.40
B	21	1.60
C	16	1.25

It is mentioned that the 91-day treasury bill rate is 5.2% and Sensex averaged a return of 14% in the last year.

You are required to rank the funds using Jensen's alpha.

- (b) How does a security market line help in identifying mispricing of securities ?
- (c) Do you think that portfolio performance depends a lot on stock selection and timing of transactions ? Give your comments. 7+4+4