

- N.B.** (1) Question No.1 is **compulsory**. Answer any **three** more questions from Q. Nos. 2 to 5.
(2) The **figures** to the **right** indicate marks.
(3) Working notes and assumptions, if any, should be **part** of answer.
(4) Unless otherwise stated, law in force on 01-04-2019 will be applicable.

1. (a) Select appropriate answer from alternatives given below and rewrite the sentences: **10**

- (i) Un-commuted pension received by a Government employee is _____
(a) exempt (b) taxable
(c) 1/3 is exempt (d) none of the above
- (ii) Salary received by partner from firm is under the heads of _____
(a) salary (b) Income from Business
(c) Income from Other Sources (d) exempt income
- (iii) Municipal value ₹ 90,000, Fair Rent ₹ 14,000, Municipal Taxes ₹ 40,000.
The entire house remained self occupied throughout the year. Net Annual Value is _____
(a) ₹ 90,000 (b) ₹ 1,40,000
(c) ₹ 1,00,000 (d) Nil
- (iv) Profit on sale of import license is _____
(a) exempt from tax
(b) taxed as profits and gains of business
(c) taxes as income from other sources
(d) taxed as capital gain
- (v) Gift received by an individual ₹ 70,000 from his relative M shall be _____
(a) fully exempt (b) fully taxable
(c) exempt upto ₹ 50,000 (d) none of the above
- (vi) The deduction U/s. 80 E is available for a maximum period of ____ years.
(a) 5 (b) 8
(c) 10 (d) 12
- (vii) Long term capital gain on sale of unlisted shares are _____
(a) taxable (b) exempted
(c) partially exempted (d) partially taxable
- (viii) Amount of ₹ _____ paid towards expenses in cash are disallowed.
(a) 25,000 (b) 15,000
(c) 10,000 (d) 35,000
- (ix) Unrealized rent is deductible from _____
(a) Gross annual value (b) Net annual value
(c) Municipal value (d) None of the above
- (x) Pension received by recipient of gallantry awards are exempted u/s. ____
(a) 10 (17) (b) 10 (17A)
(c) 10 (18) (d) 10 (19)

1. (b) Select whether following statements are **True** or **False** :

10

- (i) Service tax came into force w.e.f 1st April 2011.
- (ii) E payment of service tax is not compulsory for an assessee.
- (iii) Entry and exit load amount charged by mutual fund to the investor is not taxable
- (iv) Service tax is levied by each state.
- (v) Service tax is imposed as direct tax.
- (vi) Business defines under MVAT excludes the activity of rearing of seeding.
- (vii) All services are subject to MVAT.
- (viii) An auctioneer is not dealer under MVAT.
- (ix) Schedule A goods will be taxed @ 5% under MVAT.
- (x) VAT is charged in addition to sales tax.

2. (a) Mr. Kale is working as a visiting lecturer in USA since 01-04-2010. The particulars of his arrival and departure from India are as under: 10

Arrival	Departure
12-05-2011	12-08-2012
01-01-2014	30-06-2014
11-05-2015	10-06-2015
03-09-2015	15-02-2016
30-11-2016	15-01-2018

Determine his residential status for the Assessment year 2018-19.

2. (b) Explain with reasons whether the following are 'Goods' as per provisions of Maharashtra Value Added Tax Act, 2002. 5

- (i) Newspaper
- (ii) Malaikulfi
- (iii) Import License
- (iv) Equity Shares of P Tech Ltd.
- (v) Residential flat used for business

2. (c) Determine the Point of Taxation in each of the following independent cases with reference to the Point of Taxation Rule, 2011 : 5

Cases	Date of Completion of service	Date of invoice	Date on which payment received
1	10.05.2016	05.06.2016	20.06.2016
2	10.05.2016	05.06.2016	25.05.2016
3	10.05.2016	05.06.2016	20.06.2016
4	10.05.2016	05.06.2016	10.04.2016
5	10.05.2016	16.06.2016	20.06.2016

3. (a) From the following Income and Expenditure Account of Mr. Prakash. Compute his total income and ascertain the tax liability for the Assessment Year 2018-19. 10

Income and Expenditure account for the year 2018-19

Expenditure	Amount	Income	Amount
To Staff Salaries	1,20,000	By Consulting Fees	6,00,000
To Dispensary Expenses	67,500	By Visitng Fees	1,00,000
To Dispensary Rent	60,000	By Gift from Patients	40,000
To Purchase of Medicines	45,000	By Sale of Medicines at the dispensary	80,000
To Income Tax	35,000		
To Professional Fees to Doctors	22,000	By Rent from House Property	1,20,000
To Car Expenses (For Profession)	36,400		
To Membership Fees	2,000		
To Municipal Tax for Rental House	12,000		
To Interest on Housing Loan for Rented House	18,000		
To Printing and Stationery	4,000		
To Depreciation	48,000		
To Charity	1,500		
To Surplus for the Year	4,68,600		
Total	9,40,000	Total	9,40,000

Additional Information :

- (a) Gift received from patients include ₹ 1,000 from his father in personal capacity.
- (b) Depreciation as per Income Tax Rules ₹ 45,000.
- (c) He paid medical insurance premium of ₹ 8,000 by cheque.
- (d) He purchased National Saving Certificates of ₹ 30,000 and paid Life Insurance Premium of ₹ 60,000.
- (e) He paid ₹ 20,000 to Nationalized Bank towards Principal of Housing Loan.
3. (b) A dealer imported taxable goods worth ₹ 50,000 from Gujarat on 01/08/2016, and purchases taxable goods within the state of Maharashtra for ₹ 90,000 on 31/07/2016, and ₹ 4,50,000 on 03/08/2016. Determine his liability for registration under MVAT. 5
3. (c) A receives ₹ 20,000 as advance on 01/10/2016. He completes the service on 01/11/2016 and raises invoice on 15/11/2016 for ₹ 2,00,000. The clients pays him ₹ 50,000 on account on 30/03/2017 and the balance on 31/05/2017. Determine the point of taxation of service tax. 5

4. (a) Mr. Amar, an employee is Mirraw Ltd and covered by payment of Gratuity Act, 1972 10
retire at the age of 64 years on 31.12.2017 after completing 33 years and 7 months of
service. He received ₹ 20,51,640/- as gratuity. He is entitled to get monthly pension
₹ 8,000. He gets 75% of pension commuted for ₹ 4,50,000 on 01.02.2018. Compute
salary income with other details for FY 2017-18.

Basic salary ₹ 7,20,000

Bonus ₹ 36,000

HRA (Taxable) ₹ 1,17,000

Employer contribution towards recognized Provident fund ₹ 1,10,000
(Exempt ₹ 86,400)

Professional Tax paid by Mr. Amar ₹ 2,000.

- (b) A has taxable turnover of ₹ 25,00,000 of which ₹ 5,00,000 are tax free. MVAT rate is 5
10% purchase is of ₹ 20,00,000 out of which ₹ 8,00,000 are tax free. Half of the tax
free purchases are used for tax free sales. Compute his liability for MAVT.
- (c) Compute the value of taxable services and service tax payable on the services provided 5
by One Step advertiser for the Quarter ended on 30/06/2017.

Sr. No.	Particulars	Amount
1	Sale of space for advertisement in newspaper	85,000
2	Services related to preparation of advertisement	85,000
3	Sale of space for advertisement on Internet website	70,000
4	Sale of time for advertisement to be broadcaste on TV channel	1,20,000
5	Advertisement in Business Directories	45,000

5. (a) Explain in brief how capital gains are commuted. 10
- (b) Define and explain the term "Sales" under the provisions of MVAT, 2002. 5
- (c) Explain the term "Service" under the service tax law. 5

Con. 325-19.

(REVISED COURSE)

CE-7040

(3 Hours)

[Total Marks : 80]

- N.B.** (1) Question No.1 is **compulsory**. Answer any **three** more questions from Q. Nos. 2 to 5.
 (2) The **figures** to the **right** indicate marks.
 (3) Working notes and assumptions, if any, should be **part** of answer.
 (4) Unless otherwise stated, law in force on 01-04-2019 will be applicable.

1. (a) Select appropriate answer from alternatives given below and rewrite the sentences: **10**
- (i) Un-commuted pension received by a Government employee is _____
 (a) exempt (b) taxable
 (c) 1/3 is exempt (d) none of the above
- (ii) Salary received by partner from firm is under the heads of _____
 (a) salary (b) Income from Business
 (c) Income from Other Sources (d) exempt income
- (iii) Municipal value ₹ 90,000, Fair Rent ₹ 14,000, Municipal Taxes ₹ 40,000.
 The entire house remained self occupied throughout the year. Net Annual Value is _____
 (a) ₹ 90,000 (b) ₹ 1,40,000
 (c) ₹ 1,00,000 (d) Nil
- (iv) Profit on sale of import license is _____
 (a) exempt from tax
 (b) taxed as profits and gains of business
 (c) taxes as income from other sources
 (d) taxed as capital gain
- (v) Gift received by an individual ₹ 70,000 from his relative M shall be _____
 (a) fully exempt (b) fully taxable
 (c) exempt upto ₹ 50,000 (d) none of the above
- (vi) The deduction U/s. 80 E is available for a maximum period of _____ years.
 (a) 5 (b) 8
 (c) 10 (d) 12
- (vii) Long term capital gain on sale of unlisted shares are _____
 (a) taxable (b) exempted
 (c) partially exempted (d) partially taxable
- (viii) Amount of ₹ _____ paid towards expenses in cash are disallowed.
 (a) 25,000 (b) 15,000
 (c) 10,000 (d) 35,000
- (ix) Unrealized rent is deductible from _____
 (a) Gross annual value (b) Net annual value
 (c) Municipal value (d) None of the above
- (x) Pension received by recipient of gallantry awards are exempted u/s. _____
 (a) 10 (17) (b) 10 (17A)
 (c) 10 (18) (d) 10 (19)

[TURN OVER



1. (b) Select appropriate answer from alternatives given below and rewrite the sentences: 10
- (i) India is one of the _____ countries across the world to implement GST.
(a) 160 (b) 170
(c) 150 (d) 180
- (ii) Taxable minimum turnover limit in GST that is applicable in the state of Maharashtra is _____.
(a) ₹ 10 Lakhs (b) ₹ 20 Lakhs
(c) ₹ 25 Lakhs (d) ₹ 45 Lakhs
- (iii) GST is levied on supply of all goods and services except _____.
(a) Alcoholic liquor for human consumption
(b) Tobacco
(c) Health care services
(d) All of the above
- (iv) GSTR 1 should be filled on or before the _____ of the following month.
(a) 10 (b) 20
(c) 25 (d) 30
- (v) After verification of process of GST application, the GST registration certificate issue in form of _____.
(a) REG 06 (b) REG 27
(c) REG 11 (d) REG 28
- (vi) Interest on delayed payment of GST is _____ for excessive reduction in output tax liability of ITC
(a) 12% (b) 18%
(c) 24% (d) 28%
- (vii) Weighted of central Government in GST council is _____.
(a) 1/4 (b) 1/3
(c) 2/3 (d) 3/4
- (viii) Goods and service tax is a tax levied on goods and service at each point of _____.
(a) demand (b) supply
(c) cash sales (d) manufacturing
- (ix) For services of cultural event, the place of supply is the location _____.
(a) of recipient
(b) where service are actually performed
(c) of supplier
(d) of registered person
- (x) The tax deducted has to be paid to the Government within _____ days after the end of the month in which deducted.
(a) 7 (b) 10
(c) 15 (d) 20

2. (a) Mr. Kale is working as a visiting lecturer in USA since 01-04-2010. The particulars 10 of his arrival and departure from India are as under:

Arrival	Departure
12-05-2011	12-08-2012
01-01-2014	30-06-2014
11-05-2015	10-06-2015
03-09-2015	15-02-2016
30-11-2016	15-01-2018

Determine his residential status for the Assessment year 2018-19.

- (b) Determine the place of supply in each of the following giving reasons: 10
- M/s. Deepak caterers, Mumbai travel to Gujarat for providing catering at services for wedding of Mr. Shah's son.
 - M/s. Shiv Ganga CHS Ltd. Mumbai placed an order for installation of Elevator with M/s. Thyssen Elevator Groups. The elevator was installed at the society building in Mumbai.
 - M/s. Om Enterprises, Gujarat taken insurance policy of all employees from M/s. Pratik Insurance Service provider situated at Mumbai.
 - Mr. Sachin, a travel agent carries passengers from Haryana to Mansarovar in China.
 - M/s. Sony, an Electronic store of Mumbai, sells 5 TV to Mr. Milind of Patna. These TVs are to be sent to Mr. Milind by a Sony's Store in Patna.

3. (a) From the following Income and Expenditure Account of Mr. Prakash, Compute his 10 total income and ascertain the tax liability for the Assessment Year 2018-19.

Income and Expenditure account for the year 2018-19

Expenditure	Amount	Income	Amount
To Staff Salaries	1,20,000	By Consulting Fees	6,00,000
To Dispensary Expenses	67,500	By Visitng Fees	1,00,000
To Dispensary Rent	60,000	By Gift from Patients	40,000
To Purchase of Medicines	45,000	By Sale of Medicines	80,000
To Income Tax	35,000	at the dispensary	
To Professional Fees to Doctors	22,000	By Rent from House	1,20,000
To Car Expenses (For Profession)	36,400	Property	
To Membership Fees	2,000		
To Municipal Tax for Rental House	12,000		
To Interest on Housing Loan for Rented House	18,000		
To Printing and Stationery	4,000		
To Depreciation	48,000		
To Charity	1,500		
To Surplus for the Year	4,68,600		
Total	9,40,000	Total	9,40,000

[TURN OVER

Additional Information :

- Gift received from patients include ₹ 1,000 from his father in personal capacity.
- Depreciation as per Income Tax Rules ₹ 45,000.
- He paid medical insurance premium of ₹ 8,000 by cheque.
- He purchased National Saving Certificates of ₹ 30,000 and paid Life Insurance Premium of ₹ 60,000.
- He paid ₹ 20,000 to Nationalized Bank towards Principal of Housing Loan.

3. (b) Determine the GST payable for the month of August, 2018 of M/s. Kant Enterprises : 10

Tax	Output Tax Liability	Input Tax Liability
	Rupees	
IGST	1,15,000	1,54,000
CGST	1,36,000	1,12,000
SGST	1,36,000	1,12,000

4. (a) Mr. Amar, an employee is Mirraw Ltd and covered by payment of Gratuity Act, 1972 10
retire at the age of 64 years on 31.12.2017 after completing 33 years and 7 months of service. He received ₹ 20,51,640/- as gratuity. He is entitled to get monthly pension ₹ 8,000. He gets 75% of pension commuted for ₹ 4,50,000 on 01.02.2018. Compute salary income with other details for FY 2017-18,

Basic salary ₹ 7,20,000

Bonus ₹ 36,000

HRA (Taxable) ₹ 1,17,000

Employer contribution towards recognized Provident fund ₹ 1,10,000

(Exempt ₹ 86,400)

Professional Tax paid by Mr. Amar ₹ 2,000.

- (b) State with reason whether the Dealer is required to get registered under GST or not : 10

- Mr. Gala is Chartered Accountant situated in the state of Tripura, provided taxable services of ₹ 12 Lakhs.
- A hospital provides tax free medical services of ₹ 18,00,000 and taxable services of ₹ 4,00,000.
- Bala of Kolakata, wholesaler in tea, his supplies exceeds ₹ 25,00,000
- Ramesh of Surat supplies taxable goods worth ₹ 18,00,000 on his account and ₹ 3,00,000 as an agent acting for his principal.
- Ravi, a farmer, sells agriculture goods worth ₹ 21 Lakhs cultivated by him on his own hand.

5. (a) Explain in brief how capital gains are commuted. 10

- (b) State the benefits of Goods and Service Tax. 10

N.B. (1) Question No.1 is compulsory.

(2) Attempt any three questions from the Q. No. 2 to Q. No. 5.

1. (a) State whether the following statement is True or False :

10

- (i) A primary trend may be a bull market moving in a steady upward direction or a bear market steadily dropping.
- (ii) Pioneering Stage is the second stage of Industry Life Cycle.
- (iii) Securities market line shows the linear relationship between the expected returns and betas of the security.
- (iv) The NEAT- F & 0 system supports an order driven market, wherein orders mismatch automatically.
- (v) In Declining Stage, Companies has spent huge amount for advertisement for promotion of goods and services
- (vi) As per the assumption of the Dow theory the market value of a security is related to demand and supply factors functioning in the market
- (vii) Company analysis is a process carried out by investors to evaluate securities information related to company's profile
- (viii) An individual who expects that prices for some asset will rise is said to take a long position
- (ix) The right but not the obligation to sell an asset at a particular price during a stipulated period is called a call option
- (x) In semi strong market the security prices adjust rapidly to all publicly to available information.

1. (b) Fill in the blanks :

10

- (i) _____ developed algorithms to minimize a portfolio risk.
- (ii) _____ is a combination of economic, industry and company analysis to obtain a stock's current fair value and predict its future value.
- (iii) The technical analyst studies the behaviour of the price of the stock to determine the future _____ of the stock.
- (iv) Oil refining is an _____ industry.
- (v) The price which is paid by the option holder to the option writer for acquiring the right to trade (buy/sell) is known as _____
- (vi) _____ method measures a surplus that's created by investment.
- (vii) An agreement to accept or make delivery of an asset on a particular future date at a price struck today is called a _____
- (viii) _____ is called the amount of cash put up by an investor, which is a fraction of the value the asset.
- (ix) A group of securities held together as a investment is known as a _____ .
- (x) A market in which prices are always fully reflect available information is called _____ market.

[TURN OVER

2. (a) Write a note on 'Porter's Five Force Model'. 10
2. (b) What are the methods adopted to analyse the financial statements of the company? 10
3. (a) A portfolio is constituted with securities having the following characteristics : 10

Security	Return %	Proportion of investment
p	17.5	15%
Q	24	20%
R	15	10%
S	21	05%
T	08	07%
U	21	03%
V	20	20%
W	05	14%
X	12	06%

Calculate the expected return on the portfolio.

3. (b) What is fundamental Analysis? Explain the factors influencing economic analysis. 10
4. (a) From the following particulars extracted from the books of Ashok & Co. Ltd., compute the following ratios and comment: (a) Current ratio, (b) Acid Test Ratio, (c) Stock-Turnover Ratio, (d) Debtors Turnover Ratio. 10

	1-1-2002 ₹	31-12-2002 ₹
Bills Receivable	30,000	60,000
Bills Payable	60,000	30,000
Sundry Debtors	1,20,000	1,50,000
Sundry Creditors	75,000	1,05,000
Stock-in-trade	96,000	1,44,000

Additional information:

- (a) On 31-12-2002, there were assets: Building ₹ 2,00,000, Cash ₹ 1,20,000 and Cash at Bank ₹ 96,000.
- (b) Cash purchases ₹ 1,38,000 and Purchases Returns were ₹ 18,000.
- (c) Cash sales ₹ 1,50,000 and Sales returns were ₹ 6,000.
- Rate of gross profit 25% on sales and actual gross profit was ₹ 1,50,000.

4. (b) Write a note on Future Contract. 10
5. Write short notes on any four : 20
- (a) Write a note on signal confirmation
- (b) Philosophy of Investor
- (c) Badla Contract
- (d) Types of chart pattern
- (e) Types of Future Contracts

P.G.D.F.M (Sem-II)
Financial Management

July
2019

Con. 327-19.

CE-7070

(3 Hours)

[Total Marks : 80

N.B. : (1) Q. 1 is compulsory.

(2) Attempt any three questions from the Q. No. 2 to Q. No. 5.

1. (a) State whether the following statement is **true** or **false**. 10
- (1) Forex market deals with the multicurrency.
 - (2) Cash Flow Statement is based upon Cash basis of accounting
 - (3) A firm's degree of operating leverage (DOL) depends primarily upon its looseness to its operating break-even point
 - (4) RBI is the apex of the financial system, established in 1932 and nationalized in 1936.
 - (5) In finance, "working capital" means the same thing as fixed assets.
 - (6) Warrants and options both consist of the option to buy and the option to sell a financial product.
 - (7) EBIT is usually the same thing as funds provided by operations.
 - (8) Investors pay the specified price for an amount of shares.
 - (9) Present value tables for annuity cannot be straight away applied to varied stream of cash flows.
 - (10) Call money is the money borrowed for a long period of time.
- (b) Fill in the blanks. 10
- (1) A firm's degree of total leverage (DTL) is equal to its degree of operating leverage its degree of financial leverage (DFL).
 - (2) varies inversely with profitability.
 - (3) Efficiency of financial system largely depends upon the of financial services provided by financial intermediaries.
 - (4) Mr. X takes a loan of ₹ 50,000 from HDFC Bank. The rate of interest is 10% per annum. The first installment will be paid at the end of year 5. Determine the amount of equal annual installments if Mr. X wishes to repay the amount in five instalments : answer
 - (5) have both the features of equity and debenture.
 - (6) working capital is the amount of current assets required to meet a firm's long-term minimum needs.
 - (7) Industrial Finance Corporation of India was established in .
 - (8) The term financial intermediary may refer to between two or more parties in a context
 - (9) refers to current assets minus current liabilities.
 - (10) Financial Markets provide information about the and various financial.

[TURN OVER

(11)

2. (a) From the following forecast of income and expenditure, prepare a cash budget for the months January to April, 2011. 10

Year	Moths	Sales(Cr.)	Purchases(Cr.)	Wages	MFG EXP.	Admin. EXP.	S&D EXP.
2010	Nov.	30000	15000	3000	1150	1060	500
	Dec.	35000	20000	3200	1225	1040	550
2011	Jan	25000	15000	2500	990	1100	600
	Feb	30000	20000	3000	1050	1150	620
	March	35000	22500	2400	1100	1220	570
	April	40000	25000	2600	1200	1180	710

Additional information is as follows:

1. The customers are allowed a credit period of 2 months.
2. A dividend of ₹ 10,000 is payable in April.
3. Capital expenditure to be incurred: Plant purchased on 15th January for ₹ 15,000; a Building has been purchased on 1st March and the payments are to be made in monthly installments of ₹ 2,000 each.
4. The creditors are allowing a credit of 2 months.
5. Wages are paid on the 1st of the next month
6. Lag in payment of other expenses is one month.
7. Balance of cash in hand on 1st January, 2011 is ₹ 15,000.

- (b) From the following alternatives determine the Ideal capital structure for the company. 10

	I	II	III	IV
Equity	1,00,000	75,000	50,000	25,000
Debt@ 12%	—	25,000	50,000	75,000
Total Financing	1,00,000	1,00,000	1,00,000	1,00,000
No. of Equity Shares	10,000	7,500	5,000	2,500
Profit before interest and taxes is ₹ 15,000/- Tax rate is 50%				

3. (a) Given below is the summary of a company as at 31st December, 2018 :

10

Equity share capital 20,000 shares of ₹ 10 each	2,00,000
Fixed Assets	4,00,000
Reserves and surplus	1,30,000
Investments	50,000
8% debentures	1,70,000
Current assets	2,00,000
Short term loans	1,00,000
Trade creditors	50,000

You are required to calculate the company's weighed average cost of capital using balance sheet valuations: The following additional information is also available:

- (1) 8% Debentures were issued at par.
- (2) All interests payments are up to date and equity dividends is currently 12%.
- (3) Short term loan carries interest at 18% p.a
- (4) The shares and debentures of the company are all quoted on the Stock Exchange and current Market prices are as follows: Equity Shares ₹ 14 each 8% Debentures ₹ 98 each.
- (5) The rate of tax for the company may be taken at 50%.

- (b) A firm selling price of its product is ₹ 100 per unit. The variable cost per unit is ₹ 50 and the fixed operating costs are ₹ 50,000 per year. The fixed interest expenses (nonoperating) are ₹ 25,000 and the firm has 10,000 shares outstanding. Let us evaluate the combined leverage resulting from sale of 1) 2000 units & 2) 3000 units. Tax rate = 35%. Calculate Combined Leverage.

10

[TURN OVER

(13)

4. (a) The Particulars are given Below.

Cost of investment ₹ 50000
 Scrap value - Nil Estimated Life - 5 years
 Net Income After Depreciation and Tax
 2019 - ₹ 1200
 2020 - ₹ 4800
 2021 - ₹ 7200
 2022 - ₹ 5600
 2023 - Nil

10

It is estimated that project will require an additional working capital of ₹ 4000 which will be received back in full after the expiry of each project life. Depreciation is provided as per SLM. Present value of ₹ 1.

Year	1	2	3	4	5
PV	0.909	0.826	0.751	0.683	0.621

A firm can make investment decisions at the beginning of the year 2019. Assuming a Required rate of return is 12%pa. evaluate the investment proposal under NPV and Profit Index Method.

(b) A Ltd wants to raise ₹ 1,00,000 as capital. The company expects earnings before interest and taxes (EBIT) ₹ 40,000 per annum. The management is considering the following alternatives

10

for raising the capital:

- Issue 10,000 equity shares of ₹ 10 each.
- Issue 5000 equity shares of ₹ 10 each and 500, 12% preference shares of ₹ 100 each.
- Issue 5000 equity shares of ₹ 10 each and 10 % Debentures of ₹ 50,000.

You are required to calculate earnings per share and advise the alternative to be used for raising capital, assuming tax rate of 30%.

5. Write Short Notes on any four :—

20

1. Money market
2. Evaluation of credit policy
3. Cost of equity share capital
4. Asset based financial intermediaries
5. Modigliani-Miller approach

Con. 317-19.

P.G.D.F.M (Sem - II)International Finance
(3 Hours)JULY
2019
CE-7215

[Total Marks : 80]

- N.B. :** (1) Question 1 is compulsory.
(2) Attempt any 3 question from Q. 2 to Q. 5.

1. (a) Select appropriate answer from alternatives given below and Rewrite the sentences. 10
- (1) FERA, 1973 was a long enactment with _____ sections.
(a) 81 (c) 18
(b) 49 (d) 94
- (2) _____ is the rate of change in the price level of goods and services in the economy.
(a) Interest (c) Swap
(b) Inflation (d) Deflation
- (3) _____ is the ratio of export prices to import prices of a country.
(a) Balance of payment (c) Terms of Trade
(b) Economic recession (d) Devaluation.
- (4) _____ involves buying and selling of commodities for client.
(a) Foreign currency operations (c) Securities operations
(b) Commodity operations (d) Call money operations
- (5) _____ represent transactions between the bank and its customer.
(a) Interstate transaction (c) Merchant transaction
(b) Interbank transaction (d) Off shore transaction.
- (6) Price at which the Forex dealer is willing to buy a unit of the base currency is called _____.
(a) Bid rate (c) Offer rate
(b) Ask rate (d) Option
- (7) Interest Rate Parity theory is used to find out the relationship between the _____ and a corresponding forward (future) exchange rate of currencies.
(a) Spot exchange rate (c) Arbitrage exchange rate
(b) Forward exchange rate (d) Flexible exchange rate
- (8) _____ are issued only to investors in India.
(a) ADR (c) IDR
(b) GDR (d) CRR
- (9) _____ is not a type of Financial future contract.
(a) Interest rate futures (c) Bond index futures
(b) Foreign currency futures (d) Bilateral futures.
- (10) _____ is a person who is willing to take a risk by taking future position with the expectation to earn profit.
(a) Speculator (c) Day trader
(b) Hedger (d) Broker

[TURN OVER

15

Con. 317-CE-7215-19

(b) State whether the following statement are **true** or **false**.

5

- (1) The main objective of FERA is to reduce the strict restriction on foreign exchange.
- (2) The law of one price explains that identical goods should be sold for different prices in two separate markets.
- (3) Bretton Woods system gave a great deal of discipline on the participating nations economic policies.
- (4) Fixed exchange rate system fails to solve the balance of payment disequilibrium.
- (5) FEMA was passed in the year 1999 and came into effect from 1st June 2000.

(c) Match the following :—

5

Column A	Column B
(1) Authorized Money Changer	A Sold in UK
(2) Samurai bond	B Ask + Bid / 2
(3) Mid rate	C (Ask - Bid) / Bid x 100
(4) Bull Dog Bond	D Hotels
(5) % spread	E Sold in Canada
	F Sold in Japan.

2. Answer the following questions.

20

- (a) Write a note on Gold standard and Bretton Wood System.
- (b) Explain features and components of International Monetary System.

3. Answer the following questions.

20

- (a) Explain the factors affecting Foreign Exchange Rate.
- (b) Write a note on Purchasing Power parity.

4. Answer the following questions.

20

- (a) Explain various types of Foreign Exchange Transaction.
- (b) Exchange rate for USD in India is
Spot : 46.0030
6 months forward : 46.9070
Interest rate (annual) in the money market is as follows :
USA : 7%
India : 12%
Work out the arbitrage opportunity.

20

5. Short notes (any **four** out of **five**)

- (a) American Depository Receipt
- (b) Future Contract
- (c) Uses of Derivatives
- (d) Various types of Bonds
- (e) Types of Forward.