

2018

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) Describe the provisions of Minimum Alternate Tax.

(b) What are the differences between :

- head of income and source of income ?
- cess and tax ?

(c) Write short note on Territorial Water & Customs Water and Duty Drawback as per Customs Act.

$2\frac{1}{2} + 2\frac{1}{2}$

(Turn Over)

- (d) What is warehousing? What are the benefits of importers for using warehousing facility as provided under Customs Act? How long can the goods be stored in warehousing? 1+3+1
- (e) Define previous year. State any four cases where income of any previous year is assessed to tax in the same previous year without waiting for the relevant assessment year. 1+4
- (f) What do you mean by 'Block of Assets'? State the provisions of Income Tax Act regarding additional depreciation allowance on assets. 1+4
- (g) Define the terms 'person' and 'assessee'.
- (h) Explain the terms 'Gross Total Income' and 'Taxable Income'.

2. (a) Welcome Ltd. is a company which is engaged in the production of garments. The company got incorporated on July 20, 2017 and started its production operations in October, 2017. In the financial year 2017-18, the following expenses were incurred by the company :
- Market survey (carried out by an approved firm) – Rs. 1,24,300
 - Preparation of marketability report – Rs. 97,500
 - Preparation of project report (by an unapproved firm) – Rs. 39,000
 - Charges of lawyer for drafting and finalizing documents – Rs. 18,000
 - Printing costs of the legal documents – Rs. 25,800
 - Registration fees of the company – Rs. 35,000

It is also mentioned that :

- Cost of the project – Rs. 32,00,000 and
- Capital employed – Rs. 25,00,000

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

- (b) Determine basic customs duty from the following information :
- Toys are being imported from Japan. The cost price at Japan is 200 Yen/unit.
 - The freight charges to Indian ship is Rs. 50000 for all 25,000 units of toys.
 - Insurance was paid compositely with other products.
 - Transport cost :
From factory to Japan port : 10,000 Yen
From Indian port to godown : Rs. 15,000
 - Packages required for shipment is Rs. 25,000.
 - Exchange rate :
Rs. 100 = 63 Yen (RBI)
Rs. 100 = 65 Yen (CBEC)
 - Basic customs duty is 12%. 8+7

3. (a) What do you understand by CGST, SGST and IGST ?
- (b) Who is required to register as an assessee under the new GST law ?

- (c) Write a note on composition levy scheme of GST.
 (d) State the purpose and frequency for filing GST Return-1 (GSTR-1) and GST Return-2 (GSTR-2).

5+3+4+3

4. T. K. India Ltd. showed a net profit of Rs. 82,50,000 in its profit and loss amount for the year ended 31.3.2018 after debiting/crediting the following :

(i) Amounts debited	Rs.
Depreciation	12,40,000
Provision for bad debt	4,80,000
Legal charges	2,10,000
Provision for taxation	18,00,000
Penalty charges for delay in submitting income tax return	1,30,000
(ii) Amounts credited	Rs.
Refund of income tax	50,000
Dividend from Indian Company	40,000
Recovery of bad debts (previously disallowed for Rs. 70,000)	50,000

Other information :

- (a) Depreciation allowable under the Income Tax Act, 1961 Rs. 7,20,000
 (b) Closing stock of T. K. India Ltd. on 31.3.2018 was valued at Rs. 10,80,000 being 10% below cost.

Compute taxable income of T. K. India Ltd. for the assessment year 2018-19. Also determine the tax liability and net tax payable by it assuming that during the P. Y. 2017-18 the company has paid advance tax of Rs. 6,80,000. 10+3+2

5. (a) Distinguish between domestic company and foreign company.
 (b) What is deemed dividend? Mention any three examples of dividend.
 (c) Distinguish between previous year and assessment year.
 (d) Write short note on residential status of a company. 4+4+4+3

Second Half

(Security Management)

[Marks : 50]

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

6. Answer any four questions : 4×5
- (a) Mention the various characteristics of any investment instrument.
 (b) Write down the differences between money market and capital market.
 (c) Adding securities having negative correlation will help to reduce portfolio risk. Explain.

- (d) What do you understand by an efficient frontier ?
- (e) Shivam is considering the purchases of a bond currently selling at Rs. 878.50. The bond has four years to maturity, face value of Rs. 1,000 and 8% coupon rate. The next annual interest payment is due after one year from today. The required rate of return is 10%.
- (i) Calculate the interinsic value of the bond. Should Shivam buy the bond ?
- (ii) Calculate the yield to maturity of the bond.
- (f) The expected rates of return and the possibilities of their occurrence for Anand Company and Akash Company scrips are given below :

Probability of Occurrence	Return on Anand's Scrip (%)	Return on Akash's Scrip (%)
0.05	-2.0	-3.0
0.20	9.0	6.0
0.50	12.0	11.0
0.20	15.0	14.0
0.05	26.0	19.0

- (i) Find out the expected rates of return for Anand and Akash scrip.
- (ii) If an investor invests equal proportion in both the scrips, what would be the return ?
- (iii) If the proportion is changed to 25% and 75% and then to 75% and 25% what would be the expected rates of return ?

- (g) Describe the basic arbitrage pricing theory of two factors.
- (h) A fertilizer company paid a dividend of Rs. 2.75 during the current year. Earnings and dividends of the company are likely to grow at the rate of 8% per cent over the next five years and at the rate of 5 per cent thereafter. Investors have traditionally required a rate of return of 20 percent on these shares. What is the present value of the stock ?

7. Write a short note on the following :

- (a) Role of SEBI as a capital market regulator.
- (b) Measures used for technical analysis.
- (c) Security Market line.

8. (a) Explain the terms dematerialization, speculator and T+2 settlement system.

- (b) Describe the concept of economy analysis in the light of fundamental analysis. 6+9

9. (a) The returns of two assets under four possible states of nature are given below :

State of nature	Probability	Return on asset 1	Return on asset 2
1	0.10	5%	10%
2	0.30	10%	8%
3	0.50	15%	18%
4	0.10	20%	26%

- (i) What is the standard deviation of the return on asset 1 and asset 2 ?
- (ii) What is the covariance between the returns on assets 1 and 2 ?
- (iii) What is the coefficient of correlation between the returns on assets 1 and 2 ?
- (b) A security pays a dividend of Rs. 3.85 and sells currently at Rs. 83. The security is expected to sell at Rs. 90 at the end of the year. The security has a beta of 1.15. The risk free rate is 5 per cent and the expected return on market index is 12 per cent. Assess whether the security is correctly priced ?

9+6

10. (a) What is Random Walk Theory ?
- (b) Explain the strong form of efficient market hypothesis.
- (c) Write a short note on support and resistance pattern.

5+5+5