

Economics of Global Trade & Finance

(OLD AND REVISED COURSE)**Q P Code : CX-17512****(2 Hours)****[Total Marks : 60]**

- N.B. :** (1) All questions are compulsory.
 (2) Figures to the right indicate full marks.

1. (a) Explain the role of monetary and fiscal policies in the adjustment of disequilibrium in the balance of payments. 14
 OR
 (b) (i) Discuss the working of the foreign trade multiplier. 7
 (ii) Explain the assignment problem in internal and external balance. 7
2. (a) (i) Discuss the significance of foreign exchange reserves. 7
 (ii) Outline the arguments in favour of and against flexible exchange rates. 7
 OR
 (b) (i) What are the characteristic features of the Euro Currency market? 7
 (ii) What is currency convertibility? Outline the pre-requisites for capital account convertibility. 7
3. (a) (i) Discuss the causes of labour migration. 7
 (ii) What are the types of foreign capital and discuss the impact of foreign capital. 7
 OR
 (b) (i) Explain the effects of labour migration on wages and employment. 7
 (ii) Examine the role of multinational corporations. 7
4. Write explanatory notes on any two of the following :—
 (a) Global repercussions of the foreign trade multiplier 9
 (b) Strategies to manage foreign exchange risks 9
 (c) Role of IMF in the current global scenario. 9

May 2014

SM

(REVISED COURSE)

QP Code : CX-17507

(2 Hours)

[Total Marks : 60

N.B.: (1) All questions are compulsory.
(2) Figures to the right indicate full marks.

1. (a) Explain any two world level strategies for disaster management. 15
- OR**
- (a) What are the strategies for preventing disasters? Explain preparedness measures for it. 15
2. Attempt any two :— 15
- (a) Discuss the various problems in Indian Strategic Alliances with suitable example.
- (b) Write a detail note on Turnaround Strategy.
- (c) Explain the concept of Corporate Governance and highlight the principles of Corporate Governance in India.
3. Attempt any two :— 15
- (a) Explain the strategies for 'Green Economies' adopted by various countries.
- (b) How does Indian corporates link their profit and sustainability with Corporate Social Responsibility (CRS)? Explain.
- (c) What are the strategies used for governing PPP in India? Explain.
4. Write explanatory notes (any two) :— 15
- (a) Challenges of disaster management
- (b) Joint Venture
- (c) Environmental Audit.
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Adv. cost All

(OLD & REVISED COURSE) QP Code : CX-17535

(2 Hours)

[Total Marks : 60

- N. B. : (1) All questions are compulsory.
(2) Each question has an internal option.
(3) Figures to the right indicate full marks assigned to the question.
(4) Working notes to form part of answer.

1. A company has earned profit ₹10,00,000 after meeting fixed cost ₹14,00,000. 15
Selling price per unit is ₹100 and variable cost is ₹40 per unit.
The sales manager has suggested three different alternatives as under :-

Alternative	Reduce present selling price (per unit) by	Increase in sales quantity (from present level) by
I	5%	10%
II	7%	20%
III	10%	25%

Prepare working of profitability under each alternative and recommend the most profitable alternative.

OR

1. Vaidya Ltd., which produces three products furnishes you the following data for 2013-14 :- 15

Particulars	Products		
	L	M	N
Selling price per unit (₹)	100	75	50
Profit volume ratio (%)	10	30	40
Maximum sales potential (units)	40,000	25,000	10,000
Raw material content as percentage of variable cost (%)	50	50	50

The fixed expenses are estimated at ₹6,80,000. The company uses a single raw material in all the three products.

Raw material is in short supply and the company has a quota for the supply of raw materials of the value ₹18,00,000 for the year 2013-14 for the manufacture of its products to meet its sales demand. You are required to :-

- (i) Set a sales mix which will give a maximum overall profit keeping in view the availability of raw materials in value.
(ii) With the sales mix calculated above, compute the profit.

[TURN OVER

2. From the following data relating to a truck compute the cost per running mile. 15

Mileage run (annual)	15,000
Cost of truck (₹)	15,00,000
Road License (annual) (₹)	45,000
Insurance (annual) (₹)	30,000
Garage Rent (annual) (₹)	36,000
Supervision and salaries (annual) (₹)	84,000
Driver's wages per hour (₹)	50
Cost of fuel per gallon (₹)	275
Miles run per gallon	20
Repairs and maintenance per mile (₹)	3.50
Tyre allocation per mile (₹)	3.00
Estimated life of the vehicle	1,00,000 miles

You have to charge interest on cost of vehicle @15% per annum. The vehicle runs 20 miles per hour on an average.

OR

2. There are two warehouses for storing finished goods produced in a factory. 15
 Warehouse - M is at a distance of 10 kms and warehouse N is at a distance of 15 kms from the factory. A fleet of 5 - tonne lorries is engaged in transporting the finished goods from the factory. The records shows that lorries average a speed of 30 kms per hour when running and regularly take 40 minutes to load at the factory. At warehouse - M unloading takes 30 minutes for load, while at warehouse - N it takes 20 minutes per load.
 Driver's salary, depreciation, insurance and taxes amounts to ₹18 per hour operated. Fuel, oil, tyres repairs and maintenance cost ₹2.50 per/km.
 You are required to draw-up a statement showing the cost per tonne kilometer of carrying the finished goods to the two warehouses.

3. Cosmos Ltd. maintains separate set of books for financial accounts and cost 15
 accounts. The following information is furnished for the year 2013 :-

• Balances as on 1st Jan. 2013 :

Stores Ledger Control A/c	₹	1,20,000	(Dr)
Work-in-progress Control A/c	₹	1,80,000	(Dr)
Finished Goods Control A/c	₹	2,80,000	(Dr)
Cost Ledger Control A/c	₹	5,80,000	(Cr)

• Transactions for the year :

Material purchased	₹	13,20,000
Direct material issued	₹	9,00,000
Indirect material issued	₹	2,40,000
Direct wages incurred	₹	5,40,000
Indirect wages incurred	₹	1,80,000

- (viii) A fall in P/V ratio with unchanged amount of fixed cost will shift BEP upwards.
- (ix) Dividend received is accounted in integrated system of accounting.
- (x) Under/over absorption of overheads are recorded under integrated and non integrated system of accounting.

(b) Answer the followings in one sentence :-

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- (i) What is BEP ?
- (ii) What is MOS ?
- (iii) What is cost ledger control account ?
- (iv) How finished goods are valued under marginal costing ?
- (v) What do you mean by relevant cost ?

OR

4. Attempt the following :-

- (a) From the following information prepare Income Statement under Absorption Costing. Direct Materials ₹7,500; Sales ₹32,000; Variable Selling overheads ₹2,100; Direct wages ₹9,000; Fixed Factory overheads ₹3,000; Fixed Selling overheads ₹1,500; Variable Factory overheads ₹3,900. 3
- (b) Calculate fixed cost for the year 2013. 3
Sales from January 2013 to June 2013 ₹4,05,000 and total cost for the same period ₹3,94,200.
Sales from July 2013 to December 2013 ₹5,13,000 and total cost for the same period ₹4,80,600.
- (c) Calculate variable cost per unit and contribution per unit from the following data :- 3
First Year : Sales ₹4,80,000; Profit ₹36,000; units 24,000
Second year : Sales ₹5,60,000; Profit ₹52,000; units 28,000
- (d) In a 30 days period a restaurant was open for nine hours per day. 3
Costs incurred in the period totalled ₹65,124. The following additional information is available :-
Number of tables available 15.
Customer turnaround 1 hour.
Seating occupancy achieved 60%.
Calculate cost per customer.
- (e) Give Journal entry under Non-integrated system of accounting for :- 3
 - (i) Surplus found on physical verification of materials, ₹1,000.
 - (ii) Deficiency noticed on physical verification of materials, ₹700.

(OLD & REVISED COURSE) QP Code: CX-17514

(2 Hours)

[Total Marks : 60

- N.B. : (1) All questions are compulsory.
(2) Figures to the right indicate maximum marks.
(3) All working notes should form part of your answer.

1. Suyog consumers co-operative Society rendering loans and Rationing facilities 15
to its members, has the Trial Balance as on 31st March, 2013 as follows;

Trial Balance

Particulars	Debit Rs	Credit Rs
Members Share Capital		28,200
Dead Stock	14,000	
Members Deposit		60,000
Printing	1,500	
Bank Share Purchased	10,000	
Sahakari Sangh Share Purchased	4,000	
Bank Loan (simple)		62,000
Loan to members.	1,66,500	
Interest on Members Loans		1,06,300
Purchase of Rationing Grains	2,40,000	
Sale of Rationing Grains		2,55,000
Office Rent	18,000	
Salaries	21,100	
Travelling Expenses	2,500	
Freight	2,600	
Coolie charges	1,800	
Bank Current Account	67,000	
Bank Interest	52,500	
Reserve and Other Funds		90,200
Cash Balance	200	
	6,01,700	6,01,700

Adjustment:

1. Closing stock of Rationing Grains on 31st March, 2013 was Rs. 70,000.
2. Outstanding office Rent is Rs. 2,000.
3. Provide depreciation on Dead stock at 5%.
4. Outstanding audit fees Rs. 1,200
5. Provide Bad Debts Reserve Rs. 3,000.

You are required to prepare Trading, Profit and Loss Account for the year ending on 31st March 2013 and Balance Sheet as on that date.

OR

1. Following is the Trial Balance of Nagpal Consumer's Co-operative Society Ltd. 15
As on 31st March, 2014.

Trial Balance

Particulars	Debit Rs	Credit Rs
Share Capital		45000
Deposit from Members		90000
Dead Stock	21,000	
Printing and Stationary	3,000	
Investment in Central Bank	75,000	
Investment in Share of Apna Consumer Society	36,000	
Loan from Bank (Unsecured)		93,000
Loan to Members	1,35,000	
Interest on Members Loans		45,000
Purchase of Fertilisers	3,60,000	
Sale of Fertilisers		4,50,000
Office Rent	27,000	
Office Salaries	24,000	
Travelling Expenses	4,500	
Carriage Inward	9,600	
Bank Current Account	1,36,800	
Bank Interest	24,900	
Reserve Fund		1,77,000
Cash in Hand	13,200	
Bank Saving Account	30,000	
	9,00,000	9,00,000

Adjustments:

1. Closing stock of Fertilisers as on 31st March, 2014 was Rs.60,000.
2. Outstanding office salary Rs.9,000.
3. Provide Depreciation at 5% on Dead Stock.
4. Create Provision for Doubtful Debts Rs.4,500.
5. Provide for Audit Fees Rs.1,800.

You are required to prepare Trading and Profit and Loss Account for the year ending 31st March, 2014 and Balance Sheet as on that date.

2. Prepare the Fire Insurance Revenue Account as per IRDA regulations for the year ended 31st March, 2014 from the following details. 15

Particular	Rs.
Claims paid	19,60,000
Legal expenses regarding claims	40,000
Premiums received	52,00,000
Re-insurance premium paid	4,00,000
Commission	12,00,000
Expenses of Management	8,00,000
Provision against unexpired risk on 1 st April, 2013	22,00,000
Claims unpaid on 1 st April, 2013	2,00,000
Claims unpaid on 31 st March, 2014	3,20,000

OR

2. Pushkar Insurance Ltd. Furnished the following information for preparation of Revenue Account for Fire Insurance business for the year ended 31st March, 2014. 15

Particular	Rs.
Claims admitted but not paid	2,11,880
Commission paid	2,50,000
Commission on Reinsurance Ceded Received	60,000
Share transfer fees	25,000
Expenses of Management	3,90,000
Bad Debts	12,500
Claims Paid	75,000
Profit and loss Account (Appropriation)	50,000
Premium Received Less Reinsurance	27,60,000
Opening Reserve for Unexpired Risk	11,50,000
Opening Additional Reserve	2,00,000
Opening Claims Outstanding	1,35,000
Dividend on Share Capital	92,500

The following information should also be considered:

1. Premium outstanding at the end of the year amounted to Rs.2, 00,000.
2. It is the policy of the company to maintain 50% of premium towards reserve for unexpired Risks.
3. Additional reserve at 10% of net Premium to be maintained.

3. On 31st March, 2013, the balance sheet of ABC Ltd. disclosed the following position:

Liabilities	Amount Rs.	Assets	Amount Rs.
Issued capital - Equity Share Rs. 10 per share	4,00,000	Goodwill	40,000
Reserve	90,000	Fixed assets	5,00,000
Profit and loss account	20,000	Current assets	2,00,000
5% Debenture	1,00,000		
Current liabilities	1,30,000		
	7,40,000		7,40,000

On 31st March, 2013 the fixed assets were independently valued at Rs. 3,50,000 and the goodwill at Rs. 50,000. The net profits for the three years were.

2010 - 2011 Rs. 51,600

2011 - 2012 Rs. 52,000

2012 - 2013 Rs. 51,650

Of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be at 10%. Compute the value of the company's shares by-

- The net assets method
- The yield method.
- Fair Value Method

OR

3. The following is the balance sheet of Mr. Cherry as on 31st March, 2013

Liabilities	Amount Rs.	Assets	Amount Rs.
Capital - Equity shares of Rs. 10 per share	1,64,000	Land and building	36,000
General Reserve	40,000	Plant	54,000
Creditors	38,040	Investment	30,000
		Stock	26,850
		Debtors	19,200
		Bank	75,990
	2,42,040		2,42,040

The following were the net profits for the year ended :

2010 - 2011 Rs. 32,280

2011 - 2012 Rs. 36,870

2012 - 2013 Rs. 43,350

The above amount includes income from investment Rs.1,800 each year. All investments are non-trade Investments.

You are required to value the goodwill of the above business at 2 years purchases of the average super profit for 3 years, taking into account the fact that the standard rate of return on closing capital employed in such type of business is 10% and assuming that each year profit is immediately withdrawn in full by Mr. Cherry. You are also required to find out Intrinsic value of shares.

4. (a) Choose the most appropriate alternative from those below and rewrite the full sentences:-
1. Provision for tax consists of _____ .
 (a) current tax only (b) deferred tax only
 (c) both a and b (d) none of the above
 2. Average Profit is Rs. 19,167 and normal profit is Rs. 10,000. The super Profit is _____ .
 (a) Rs. 9,167 (b) Rs. 29,167
 (c) Rs.19,167 (d) Rs. 10,000
 - 3 Bonus is declared on _____ .
 (a) Premium paid (b) Sum assured
 (c) Claim paid (d) none of the above
 - 4 Co operative Society's register of members should be maintained in form _____ .
 (a) A (b) I
 (c) D (d) C
 - 5 General insurance includes _____ .
 (a) Fire insurance (b) Marine insurance
 (c) Misc. insurance (d) all of the above
 - 6 Income from temporary investment of borrowings that are eligible for capitalization is treated as _____ .
 (a) Deduction from borrowing cost incurred (b) Added to general reserve
 (c) Credited to P&L A/C (d) Deferred income
 - 7 Difference between tax expenses and current tax arises on account of _____ .
 (a) Timing difference (b) Cost difference
 (c) Both a & b (d) None of the above
 - 8 Normal Rate of Return depends on _____ .
 (a) Rate of interest (b) Rate of Risk
 (c) Both a & b (d) None of the above
 - 9 Intangible assets include _____ .
 (a) Software b) Website
 (c) Patent (d) all of the above

- 10 A reportable segment is one which satisfies the threshold limit of _____.
- (a) 15% (b) 10%
(c) 20% (d) 25%

(b) Match the following :-

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Column A	Column B
(i) Co operative societies	(a) AS - 16
(ii) Fair value	(b) AS - 20
(iii) Borrowing cost	(c) AS - 22
(iv) EPS	(d) represents transaction value on the relevent date
(v) Accounting for taxes on income	(e) Cannot pay dividend exceeding 15%.
	(f) AS - 17

OR

4. Write Short notes on (any three)

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- (1) Buy-Laws of Co-operative Society.
 - (2) Endowment policy.
 - (3) Geographical segment.
 - (4) Need for convergence with IFRS in India.
 - (5) Intrinsic value method of valuation of shares.
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