MCOM-II SEM-III Advanced Accountancy

(2 Hours) **[Total Marks 50]**

Instructions:

i. All questions are compulsory and subject to internal choice.
ii. Figures to the right indicate full marks.
iii. Make suitable assumptions whenever required and state them.
iv. Use of simple calculator is allowed.

Q.1.(A) Alpha instrument Ltd. Is in business of manufacturing bearings some more product line are being planned to be added to the existing system. The company has decided to acquire a machine costing Rs.10,00,000 having a useful life of 5 years and savage value of 2,00,000 (considering short term capital loss/ gain for income tax) The full purchase value of machine is being financed by bank loan at a rate of 10% interest p.a. repayable in 5 equal instalments following due at the end of each year.

Alternatively the machine can be produced on a 5 year lease, the lease rent of Rs. 2,50,000 p.a. The company follows WDV method for depreciation and tax rate is 30% and Depreciation is 25%. **(14)**

a) What is the P.V. of cash outflow for both the option using after tax cost of debt?
b) Present value of Rs. 1:

Year	Df 7%	Df 10%
1	0.9346	0.9091
2	0.8734	0.8264
3	0.8163	0.7513
4	0.7629	0.6880
5	0.7130	0.6209

OR

Q.1.(B) Define Lease Financing. Explain Features of Lease. **(07)**

Q.1. (C) Explain Bower-Herringer Williamson Method. What are its advantages and disadvantages? **(07)**

Q.2.(A) XYZ Ltd. has credit sales of Rs. 165 Crore during the financial year 2023-24 and its arrange collection period is 65 days. The past experience suggests that bad debt losses are 4.28% of credit sales.

Administration cost incurred in collection of its receivables is Rs. 12,35,000 p.a. A factor is prepared to buy the company's receivables by charging 1.95% commission. The factor will pay advance on receivables to the company at an interest rate of 16%p.a. after withholding 15% as reserve.

Estimate the effective cost of factoring to the company assuming 360 days in a year. **(12)**

OR

Q.2.(B) What is the process through which factoring operates? **(06)**

Q.2.(C) What are the key differences between forfeiting and export factoring? **(06)**

Q.3. (A) Mr. Tiger wants to invest in one of the following Bonds having face value of Rs. 1,000 Maturing at the par **(06)**

Bond	Coupon rate	Maturity	Price/Rs.1,000 par value
A	12%	5 years	Rs.1,080
B	15%	5 years	Rs. 920

Recommend which bond should be purchased will your answer change if the required rate of return is 14%

Q.3. (B) From the following you are required to assess the performance of venture capital fund compared to its bench mark index, NASDAQ composite index. The fund's annual return and NASDAQ composite Index return over the past four years are as follows: **(06)**

Years	1	2	3	4
Fund Return (%)	20	23	15	20
NASDAQ composite Index Return (%)	22	25	18	24

OR

Q.3.(C) What is a social venture fund? Explain its characteristics. **(06)**

Q.3. (D) What is a venture capital fund and what role does it play in the investment landscape? **(06)**

Q.4. (A) Calculate the standard deviation of two asset portfolio that consists of the following: **(06)**

Asset	Expected Return	Standard Deviation
A	20%	18
B	80%	12
Correlation (A,B)= 0.33		

Calculate Standard Deviation of Portfolio.

Q.4.(B) A Ltd. and B Ltd. have the following risk and return estimates: **(06)**

Estimates	**%**
Expected return of A ($E(R_A)$)	10%
Expected return of B ($E(R_B)$)	15%
Standard deviation of A (σ_A)	8%
Standard deviation of B (σ_B)	10%

Correlation coefficient (ρAB) = 0.3

Suppose the weights of the securities in the portfolio are 50% each ($w_A = 0.5$ and $w_B = 0.5$).

Calculate the risk and return of the portfolio.

OR

Q.4.(C) What is meant by Portfolio Management Services (PMS) and what is its primary purpose? **(06)**

Q.4. (D) What is the rationale behind diversification in portfolio management, and how does it help in constructing an efficient portfolio? **(06)**
