

Q.P. Code – 57221

First Year M.Com. Degree Examination, DECEMBER 2017

(Directorate of Distance Education)

Commerce

(DPA 510) Paper I — PRINCIPLES AND PRACTICE OF MANAGEMENT

Time : 3 Hours]

[Max. Marks : New Scheme : 80

Old Scheme : 70

Instructions to Candidates :

- 1) Sections – A, B and C are common and compulsory for the students of both new and old schemes.
- 2) Section – **D** shall be answered by only the students under new scheme (with 20 internal assessment marks).

SECTION – A

Note : Answer **ALL** the five sub-questions and each sub-question carries **2** marks. Answer to each sub-question shall be in not more than six sentences : **5 × 2 = 10**

1. (a) Define Transformational and Transactional Leaders.
(b) Identity a few myths about Planning.
(c) What is Grapevine Communication?
(d) Differentiate programmed and non-programmed decisions.
(e) Define 'Management'.

SECTION – B

Note : Answer any **THREE** questions and each carries **10** marks. Answer to each question shall not be in more than five pages : **3 × 10 = 30**

2. What are the differences between a leader and a manager? How can Theories of Leadership inform our understanding of effective management?
3. Why was Frederic Taylor's work, described in his Principles of Scientific Management, so important? Briefly indicate the contents and relevance of his theory.
4. What is decision making? Explain the process of decision making.
5. Discuss the principles of effective direction.
6. What is MBO? Explain the process involved in MBO. Enumerate its advantages and limitations.

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SECTION – C

Note : Answer any **TWO** questions and each question carries **15** marks. Answer to each theory question shall not be in more than eight pages : **2 × 15 = 30**

7. Explain Maslow theory of motivation. Discuss its impact with an example.
8. Write an analytical note on building vertical and horizontal dimensions of organization.
9. Read the following case carefully and answer the questions given at the end of the case :

The President of ABC Airlines seeing that costs were getting out of control as the company grew, brought in as his assistant a brilliant young man who was a certified public accountant. He told him the nature of the company's problem of rising costs and asked for his help in solving the problem.

The new assistant gathered a staff of high-quality industrial engineers, financial analysts, and recent top graduates from one of the nation's best-known graduate schools of business. After laying out the problems of the company, he assigned them to investigate cost problems and management methods in the airline's operations, maintenance, engineering, and sales departments. After a number of studies, the president's assistant found many sources of inefficiency in various departments and initiated a number of changes in operating practices. In addition, he made many reports to the president outlining in detail the inefficiencies his staff had found and the measures being taken to correct them. These reports also showed with ample supporting detail, the millions of dollars which his actions were saving the company.

In the midst of these cost-saving programs, the vice-presidents in charge of operations, maintenance, engineering and sales descended on the president and insisted that the assistant be discharged.

Questions :

- (a) Why should the assistant who was doing so well be so much resented by the vice-presidents? What went wrong?
- (b) Assuming that the findings of the assistant and his staff were accurate, what should have been done by the president, the assistant, the vice-presidents, and others to make these findings useful?

SECTION – D

Note : This section is only for the students of New Scheme (with **20** internal assessment marks). Answer any **ONE** question and it carries **10** marks. Answer to the question shall be in not more than five pages : **1 × 10 = 10**

10. "Leaders are born or made" – Discuss.
11. Define Planning. Discuss its importance and guidelines for effective planning.

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(DPA 520) Paper II — MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : New Scheme : 80

Old Scheme : 70

Instructions to Candidates :

- 1) Sections - A, B and C are common and compulsory for the students of both new and old schemes.
- 2) Section - **D** shall be answered by only the students under new scheme (with 20 internal assessment marks).

SECTION – A

Note : Answer **ALL** the sub-questions and each sub-question carries **2** marks. Answer to each sub-question shall be in not more than six sentences : **5 × 2 = 10**

1. (a) What is Sales quota?
- (b) What do you mean by 'Defective Products'?
- (c) What is 'Penetration Pricing'?
- (d) Define 'Advertising'.
- (e) What do you mean by 'Pleasing Products'?

SECTION – B

Note : Answer any **THREE** questions and each question carries **10** marks. Answer to each question shall be in not more than five pages : **3 × 10 = 30**

2. 'Consumer is the King.' Comment on the statement in the light of the Modern Concept of Marketing.
3. Evaluate the importance of marketing research. Is it gaining importance in India?
4. Market segmentation is important for target markets. Elaborate with examples.
5. What are the usual steps of the buyer process?
6. What are the methods of measuring the effectiveness of sales promotion?

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SECTION – C

Note : Answer any **TWO** questions and each question carries **15** marks. Answer to each question shall be in not more than eight pages : **2 × 15 = 30**

7. Enumerate the important advertising media and point out their relative role and advantages.
8. Evaluate the importance of pricing in a marketing programme. What are the typical pricing objectives?
9. Explain the B.M. Leon Festinger's theory of Cognitive dissonance.

SECTION – D

Note : This section is only for the students of New Scheme (with **20** internal assessment marks). Answer any **ONE** question and it carries **10** marks. Answer to the question shall be in not more than five pages : **1 × 10 = 10**

10. Define service marketing. Differentiate product marketing from services marketing.
 11. Explain briefly the concept of marketing.
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(DPA 530) Paper III — FINANCIAL MANAGEMENT

Time : 3 Hours]

[Max. Marks : New Scheme : 80

Old Scheme : 70

Instructions to Candidates :

- 1) Sections – A, B and C are common and compulsory for the students of both new and old schemes.
- 2) Section – **D** shall be answered by only the students under new scheme (with 20 internal assessment marks).

SECTION – A

Note : Answer **ALL** questions (a-e) and each sub-question carries **2** marks. Answer to each sub-question shall not be in more than six sentences : **5 × 2 = 10**

1. (a) What is net present value?
(b) What is pure-equity financed firm?
(c) Define sensitivity analysis.
(d) What do you understand by financial leverage?
(e) Define cost of capital.

SECTION – B

Note : Answer any **THREE** questions and each carries **10** marks. Answer to each theory question shall not be in more than five pages : **3 × 10 = 30**

2. Explain the crux of MM's argument about dividend irrelevance. What are the assumptions of MM's dividend irrelevance argument?
3. A company has a total investment of Rs.5,00,000 in assets and 50,000 outstanding ordinary shares at Rs.10 per share (par value). It earns a rate of 15 per cent on its investments, and has a policy of retaining 50 per cent of the earnings. If the appropriate discount rate of the firm is 10 per cent, determine the price of its share using Gordon's model. What shall happen to the price of the share if the company has a payout of 80 per cent or 20 per cent?

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4. Explain the dividend growth model for calculating equity under :
- (a) No growth
 - (b) Constant growth
 - (c) Super-normal growth
5. A company is considering the probability of raising Rs.100 million by issuing debt, preference capital, and equity and retained earnings. The book values and the market values of the issues are as follows :

	(Rs. million)	
	Book Value	Market Value
Ordinary share	30	60
Reserves	10	–
Preference shares	20	24
Debt	40	36
	100	120

The following costs are expected to be associated with the above mentioned issues of capital. Assume a 35 per cent tax rate.

- (a) A firm can sell a 20-year, Rs.1,000 face value debenture with a 16 per cent rate of interest. An underwriting fee of 2 per cent of the market price would be incurred to issue the debentures.
- (b) The 11 per cent, Rs.100 face value preference issue can fetch Rs.120 per share. However, the firm will have to pay Rs.7.25 per preference share as underwriting commission.
- (c) The firm's ordinary share is currently selling for Rs.150. It is expected that the firm will pay a dividend of Rs.12 per share at the end of the next year, which is expected to grow at a rate of 7 per cent. The firm should also incur Rs.5 per share floatation cost.

Compute the weighted average cost of capital using (i) Book value weights (ii) Market value weights.

6. Company X and Company Y are in the same risk class, and are identical in every respect except that company X uses debt, while company Y does not. The levered firm has Rs.9,00,000 debentures, carrying 10 per cent of interest. Both the firms earn 20 per cent operating profit on their total assets of Rs.15 lakhs. Assume perfect capital markets, rational investors and so on; a tax rate of 35 per cent and capitalization rate of 15 per cent for an all-equity company.

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- (a) Compute the value of firms X and Y using the Net Income (NI) Approach.
- (b) Compute the value of each firm using the Net Operating Income (NOI) Approach.
- (c) Using the NOI Approach, calculate the overall cost of capital (k_0) for firms X and Y.
- (d) Which of these two firms has an optimal capital structure according to the NOI Approach? Why?

SECTION – C

Note : Answer any **TWO** questions and each question carries **15** marks. Answer to each theory question shall be not more than eight pages : **2 × 15 = 30**

7. A company is considering the following investment projects :

Projects	Cash Flows (Rs.)			
	C_0	C_1	C_2	C_3
A	-10,000	+10,000	–	–
B	-10,000	+17,500	+7,500	–
C	-10,000	+12,000	+4,000	+12,000
D	-10,000	+10,000	+3,000	+13,000

- (a) Rank the projects according to each of the following methods : (i) ARR (ii) Payback (iii) IRR and (iv) NPV; assuming discount rate of 10 per cent and 30 per cent.
 - (b) Assuming the projects are independent, which one should be accepted? If the projects are mutually exclusive, which project is the best?
8. X Ltd. is desirous to purchase a business and has consulted you, and point on which you are asked to advise them, is the average amount of working capital which will be required in the first year's working.

You are given the following estimates and are instructed to add 10 per cent to your computed figure to allow for contingencies :

Particulars	Amount for the year (Rs.)
(i) Average amount backed up for stock :	
Stocks of finished product	5,000
Stocks of stores and materials	8,000
(ii) Average credit given :	
Inland sales, 6 weeks' credit	3,12,000
Export sales, 1.5 weeks' credit	78,000

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Particulars	Amount for the year (Rs.)
(iii) Average time lag in payments of wages and other outgoings :	
Wages, 1.5 weeks	2,60,000
Stocks and material, 1.5 months	48,000
Rent and royalties, 6 months	10,000
Clerical staff, 0.5 month	62,400
Manager, 0.5 month	4,800
Miscellaneous expenses, 1.5 months	48,000
(iv) Payment in advance	
Sundry expenses (paid quarterly in advance)	8,000
Undrawn profits on an average throughout the year	11,000

Show your calculations for the average amount of working capital required.

9. Explain pay out ratio, retention ratio, dividend policy, cost of equity and dividend yield.

SECTION – D

Note : This section is only for the students of New Scheme (with **20** internal assessment marks). Answer any **ONE** question and it carries **10** marks. Answer to the theory question shall be in not more than five pages : **1 × 10 = 10**

10. Explain the concept of risk. How can probability theory be utilized in analyzing risk of investment projects? Illustrate.
11. Assume that a firm pays tax at a 50% rate, compute the after-tax cost of capital in the following cases :
- (a) An 8.5 per cent preference share sold at par.
 - (b) A perpetual bond sold at par, coupon rate of interest being 7 per cent.
 - (c) A ten-year 8 per cent, Rs.1,000 per bond sold at Rs.950 less 4 per cent underwriting commission.
 - (d) A preference share sold at Rs.100 with 9 per cent dividend and a redemption price of Rs.110 if the company redeems it in five years.
 - (e) An ordinary share selling at a current market price of Rs.120, and paying a current dividend of Rs.9 per share, which is expected to grow at a rate of 8 per cent.
 - (f) An ordinary share of a company, which engages no external financing, is selling for Rs.50. The earnings per share are Rs.7.50 of which 60 per cent is paid in dividends. The company reinvests retained earnings at a rate of 10 per cent.

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(DPA 540) Paper IV — ACCOUNTING THEORY

Time : 3 Hours]

[Max. Marks : New Scheme : 80

Old Scheme : 70

Instructions to Candidates :

- 1) Sections – A, B and C are common and compulsory for the students of both new and old schemes.
- 2) Section – **D** shall be answered by only the students under new scheme (with 20 internal assessment marks).

SECTION – A

Note : Answer **ALL** the five sub-questions and each sub-question carries **2** marks :

5 × 2 = 10

1. (a) What is Accounting Theory?
(b) What is Economic value added?
(c) What is Normative approach?
(d) What is relevant cost?
(e) What is True blood report?

SECTION – B

Note : Answer any **THREE** questions and each question carries **10** marks : **3 × 10 = 30**

2. Trace out the strategic difference between Financial Accounting and Cost Accounting.
3. Briefly explain the Residual equity theory.
4. Critically evaluate the emerging trends in Accounting Standards.
5. Critically evaluate the role of Securities and Exchange Commission in implementing GAAPs.

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6. H company held share in X company which it brought for Rs.10,000 in 2011 when index of general level of price stood at 110 at the end of 2014, the market price of the share was Rs.8,000 and the index 132. At the end 2015, the market price of shares was Rs.9,000 and index 143.
- (a) Calculate the CPP value of the shares at the end of the 2014 and 2015.
- (b) Under CPP accounting what gain or loss would be shown in respect of the shares?
- (c) What in fact was the gain or loss in purchasing power in respect of the shares during 2015?

SECTION – C

Note : Answer any **TWO** questions and each question carries **15** marks : **2 × 15 = 30**

7. Explain the different approaches to formulation of accounting theory.
8. What is Corporate Financial Reporting? Explain the benefits and objectives of Financial Reporting.
9. From the following information in respect of Birla Ltd. calculate the total value of human capital according to Lev and Schwartz model :

Distribution of employees at Birla Ltd.

Age	Unskilled		Semi skilled		Skilled	
	No.	Average annual earnings (Rs.)	No.	Average annual earnings (Rs.)	No.	Average annual earnings (Rs.)
30-39	120	4,000	100	4,500	50	8,000
40-49	70	5,000	50	6,000	30	9,000
50-59	20	6,000	15	7,000	15	10,000
60-64	10	7,000	10	8,000	5	11,000

Apply 20% discount factor.

SECTION – D

Note : This section is only for the students of New Scheme (with **20** internal assessment marks). Answer any **ONE** question and it carries **10** marks : **1 × 10 = 10**

10. Write a evaluative note on Human Resource Accounting in India.
11. Write an explanatory notes on history of Accounting thought.