SOMAIYA
VIDYAVIHAR UNIVERSITY
Dr. Shantilal K. Somaiya School of Commerce and Business Studies

QUESTION PAPERS

BRANCH: Master of Commerce (Accounting & Finance)	**SEM: IV**
	APR-2025

Sr. No.	Subject	Available
1.	131P25C401 – Financial Reporting & Analysis	
2.	131P25E401 – Transfer Pricing	
3.	231P25C403 – International Finance	
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VIDYAVIHAR UNIVERSITY

April 2025
Examination: End Semester Examination (UG Programmes)

Programme code: 25 **Programme:** Master of Commerce in Accounting and Finance	**Class:** SY	**Semester:** IV

Name of the Constituent College: S K Somaiya College	**Name of the Department:** Accounting and Finance
Course Code: 131P25C401	**Name of the Course:** Financial Reporting and Analysis
Duration : 2 hours	**Maximum Marks :** 60 marks

Instructions:
1) All questions are compulsory.
2) Use of a simple calculator is permitted.
3) Figures to the right indicate the marks assigned to the questions.
4) Working notes should form part of your answers.

Q. No.		**Max. Marks**	**CO**
Q1	**Answer the following questions: (5 marks each)**	**15**	
	A. Explain whether the series requirement for performance obligation as per Ind AS 115 is applicable to hotel management services where day to day activities vary, involve employee management, procurement, accounting, etc? **(5 marks)**		**CO 1**
	B. X Ltd is commencing a new construction project, which is to be financed by borrowing. The key dates are as follows: - 15th May, 20X1: Loan interest relating to the project starts to be incurred - 2nd June, 20X1: Technical site planning commences - 19th June, 20X1: Expenditure on the project started to be incurred - 18th July, 20X1: Construction work commences Identify the commencement date as per Ind AS 23. **(5 marks)**		**CO 2**
	C. Ganesh Ltd. issues a bond at principal amount of CU2000 per bond. The terms of bond require annual payments in perpetuity at a stated interest rate of 7.5 per cent applied to the principal amount of CU 2000. Assuming 7.5 per cent to be the market rate of interest for the instrument when it was issued, the issuer assumes a contractual obligation to make a stream of future interest payments having a fair value (present value) of CU2000 on initial recognition. Evaluate the financial instrument in the hands of both the holder and the issuer.		**CO3**
Q2	**A**. Entity A, a specialty construction firm, enters into a contract with Entity B to design and construct a multi-level shopping centre with a customer car parking facility located	**15**	**CO 1**

	in sub-levels underneath the shopping centre. Entity B solicited bids from multiple firms on both phases of the project design and construction. The design and construction of the shopping centre and parking facility involves multiple goods and services from architectural consultation and engineering through procurement and installation of all of the materials. Several of these goods and services could be considered separate performance obligations because Entity A frequently sells the services, such as architectural consulting and engineering services, as well as standalone construction services based on third party design, separately. Entity A may require to continually alter the design of the shopping centre and parking facility during construction as well as continually assess the propriety of the materials initially selected for the project. Determine how many performance obligations does entity A have? **(10 marks)** **B**. A gymnasium enters into a contract with a new member to provide access to its gym for a 12-month period at Rs. 4,500 per month. The member can cancel his or her membership without penalty after three months. Specify the contract term as per Ind AS 115. **(5 marks)**		
	OR		
	C. Entity XYZ entered into a contract to supply 1000 television sets for 2 million. An increase in the cost of inputs has resulted into an increase in the cost of sales to 2.5 million. The penalty for non- performance of the contract is expected to be 0.25 million. Evaluate whether the contract is onerous and also determine the amount of provision to be made in this regard. **(7 marks)** **D.** HP Ltd. has 350 employees (same as a year ago). The average staff attrition rates as observed during past 10 years represent 6% per annum. HP provides the following benefits to all its employees: Annual bonus - during past 10 years. HP paid bonus to all employees who were in service during the entire financial year. Bonus was paid in June following the financial year-end. Amount of bonus for 2021-2022 paid in June 2022 represented 1,25,000 per employee. HP Ltd. used to increase amount of bonus based on official inflation rate which is 8.5% for 2022-2023, although there was no legal obligation to increase the bonus by such inflation rate. Determine how HP Ltd. would recognize liabilities and expenses for these employee benefits as on 31st March, 2023. Pass the journal entry to show the accounting treatment. **(8 marks)**	**15**	**CO 3**
Q3	**A**. A lessee enters a lease of an excavator and the related accessories (for e.g., excavator attachments) that are used for mining purposes. The lessee is a local mining company that intends to use the excavator at a copper mine. How many lease and non-lease components are there as per Ind AS 116. Further, assume the same facts as provided above, except that the contract also conveys the right to use an additional loading truck. This loading truck could be deployed by the lessee for other uses (for e.g. to transport iron ores at another mine). In this	**15**	**CO 2**

situation, how many lease and non-lease components are there as per Ind AS 116. **(10 marks)**

B. Explain the concept of Investment Property as per Ind AS 40 along with examples. **(5 marks)**

OR

A. ABC Fashions is a new luxury retail company located in Mumbai. Kindly advise the accountant of the company on the necessary accounting treatment for the following items:

15

CO 2

- One of Company's product lines is beauty products, particularly cosmetics such as lipsticks, moisturizers and compact make-up kits. The company sells hundreds of different brands of these products. Each product is quite similar, is purchased at similar prices and has a short lifecycle before a new similar product is introduced. The point of sale and inventory system is not yet fully functioning in this department. The sales manager of the cosmetic department is unsure of the cost of each product but is confident of the selling price and has reliably informed you that the Company, on average, make a gross margin of 65% on each line.

- ABC Fashions also sells handbags. The Company manufactures their own handbags as they wish to be assured of the quality and craftsmanship which goes into each handbag. The handbags are manufactured in India in the head office factory which has made handbags for the last fifty years. Normally, ABC Fashions manufactures 100,000 handbags a year in their handbag division which uses 15% of the space and overheads of the head office factory. The division employs ten people and is seen as being an efficient division within the overall company.

In accordance with Ind AS 2, explain how the items referred to above should be measured. **(10 marks)**

B. Explain the concept of impairment of assets as per Ind AS 36. **(5 marks)**

Q4 A. Following details are provided by Patasha Ltd:

15

CO 3

Particulars	31.03.2023 (₹)	31.03.2024 (₹)
Liabilities:		
Share Capital	25,00,000	22,00,000
General Reserve	4,00,000	3,50,000
Profit and Loss Account	3,00,000	1,50,000
Debentures	5,00,000	3,00,000

Provision for taxation	2,00,000	1,50,000
Proposed dividend	4,00,000	3,50,000
Trade payables	9,00,000	11,50,000
	52,00,000	**46,50,000**
Assets:		
Plant and Machinery	15,00,000	11,00,000
Land and Building	10,00,000	8,00,000
Investments (Non trading)	3,00,000	1,50,000
Trade receivables	9,00,000	10,50,000
Inventories	10,00,000	12,00,000
Cash in hand / Bank	5,00,000	3,50,000
	52,00,000	**46,50,000**

- Depreciation @ 15% was charged on the opening vale of Plant and Machinery.
- At the year end, one old machine costing ₹ 1,50,000 (WDV ₹ 70,000) was sold for ₹1,10,000. Purchase was also made at the year end.
- ₹ 1,20,000 was paid towards Income Tax during the year.
- ₹ 15,000 received as interest on investment during the year.
- Building under construction was not subject to any depreciation.

You are require to prepare Cash Flow Statement as per Indirect method (as per Ind AS -7)

OR

	A. From the below two independent cases show the deferred tax treatment - i) On 1st April 20X1, ABC Ltd acquired 100% shares of XYZ Ltd for 4,373 crore. By 31st March, 2025, XYZ Ltd had made profits of 5 crore, which remain undistributed. Based on the tax legislation in India, the tax base investment in XYZ Ltd is its original cost. ii) ABC Ltd. acquired 30% of the shares in PQR Ltd. on 1st January, 2021 for 1,000 crore.By 31st March, 2025, PQR Ltd. had made profits of 50 crore (ABC Ltd.'s share), which remained undistributed. Based on the tax legislation in India, the tax base of the investment in PQR Ltd. is its original cost. **(8 marks)** **B.** A financial institution holds financial assets to meet liquidity needs in a 'stress case' scenario (eg, a run on the bank's deposits). The entity does not anticipate selling these assets except in such scenarios. The entity monitors the credit quality of the financial assets and its objective in managing the financial assets is to collect the contractual cash flows. The entity evaluates the performance of the assets on the basis of interest revenue earned and credit losses realised. However, the entity also monitors the fair value of the financial assets from a liquidity perspective to ensure that the cash amount that would be realised if the entity needed to sell the assets in a stress case scenario would be sufficient to meet the entity's liquidity needs. Periodically, the entity makes sales that are insignificant in value to demonstrate liquidity. Evaluate the business model. **(7 marks)**	**15**	**CO 3, CO 4**

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April 2025
Examination: End Semester Examination (PG Programmes)

Programme code: 25 **Programme:** Master of Commerce in Accounting and Finance	**Class:** SY	**Semester:** IV

Name of the Constituent College: S K Somaiya College	**Name of the Department:** Accounting and Finance
Course Code: 131P25E401	**Name of the Course:** Transfer Pricing
Duration : 2 hours	**Maximum Marks:** 60 marks

Instructions:
1) All questions are compulsory.
2) Use of a simple calculator is permitted.
3) Figures to the right indicate the marks assigned to the questions.
4) Working notes should form part of your answers.

Q. No.		Max. Marks	CO
Q1	**Answer the following questions: (5 marks per question)** **A)** Examine with reasons whether the two enterprises referred to in the independent situations given below can be deemed to be associated enterprises under the Indian transfer pricing regulations: - Rolan Inc, a US company having its place of effective management also in the USA, has advanced a loan equivalent to ₹170 crores to Parita Ltd., an Indian company on 10-4-2023. The total book value of assets of Parita Ltd. is ₹300 crores. The market value of the assets, however, is ₹320 crores. Parita Ltd. repaid ₹30 crores before 31-3-2024. **B)** Examine whether transfer pricing provisions under the Income-tax Act, 1961 would be attracted in respect of the following cases – i) Mrs. Deena holds 25% of voting power in Paka Inc, a company incorporated under the laws of Country B. ii) As per one of the clauses of the agreement, Paka Inc has the power to appoint 6 directors of Zenith Ltd., which has 12 directors on the board. **C.** Examine whether transfer pricing provisions under the Income-tax Act, 1961 would be attracted in respect of the following cases – - Kia plc., a French company having its place of effective management also in the France, has the power to appoint 3 of the directors of Revati Ltd, an Indian company, whose total number of directors in the Board is 8. - Total value of raw materials and consumables of Mukti Ltd., an Indian company, is ₹900 crores. Of this, supplies to the tune of ₹830 crores are by Zoel GmbH, a German company having its place of effective management in Germany, at prices and terms decided by the German company.	15	**CO 2 and CO 1 and CO 4**
Q2	**A)** Daksh Ltd., an Indian company, has two units in India, a manufacturing unit in Pune and a trading unit in Rajkot. Daksh Ltd. has entered into various international transactions with its associate enterprises from both the units. The assessment of Daksh Ltd., an Indian company, for A.Y.2024-25 is pending before the Assessing Officer who referred the matter to Transfer Pricing Officer (TPO) for determination of arm's length price (ALP) in respect of its manufacturing unit at Pune. The TPO, however, expanded the scope of his work	15	**CO 3 and CO 4**

	by calling for details in respect of the trading unit of Daksh Ltd. located at Rajkot. Examine the procedure to be followed by the Assessing Officer before making reference to TPO. Can the TPO enlarge his scope of work by calling for details of trading activity at Rajkot, when the Assessing Officer has made reference only in respect of the manufacturing unit at Pune? Examine. **(7 marks)** **AND** **B)** Madan Limited, an Indian Company supplied billets to its holding company, U. Limited, UK during the previous year 2023-24. Madan. Limited also supplied the same product to another UK based company, V. Limited, an unrelated entity. The transactions with U. Limited are priced at Euro 650 per MT (FOB), whereas the transactions with V. Limited are priced at Euro 850 per MT (CIF). Insurance and Freight amounts to Euro 350 per MT. Compute the arm's length price for the transaction with U. Limited. **(8 marks)**		
	OR		
	C) What are the circumstances where an enterprise become a deemed associate enterprise as per section 92A(2) **(15 marks)**	**15**	**CO 1**
Q3	**A)** On 1.4.2023, Ganesh Ltd., an Indian company, advanced a loan of ₹6 crores to Suzu Inc., a company resident in Singapore. As on the date of loan, the book value of total assets in the books of Suzu Inc. was ₹10 crores. Suzu Inc. paid the entire loan along with interest thereon on 31st August,2023.During the Financial Year 2023-24, Ganesh Ltd. also entered into an agreement with Suzu Inc.to provide 20 thousand medical equipment at a cost of ₹7,400 per unit. The Assessing Officer treats them as associate enterprises and wants to re-compute the income of Ganesh Ltd. at arms' length price. You are required to answer the following questions in this respect: (1) Would Ganesh Ltd. and Suzu Inc. be treated as associate enterprises for the purpose of transfer pricing adopted by the Assessing Officer? If yes, why? (2) Calculate the arm's length price of Ganesh Ltd. which sells the same equipment at the rate of ₹9,000 per unit to Y Ltd. and at the rate of ₹9,500 per unit to X LLP (both of them are unrelated parties in respect of Ganesh Ltd.). Ganesh Ltd. is not a wholesale dealer. (3) What are the options available to Ganesh Ltd. in respect of such increase in transfer price by income tax authorities, if Ganesh Ltd. accepts such transfer price? **(15 marks)**	**15**	**CO 2**
	OR		
	B) Boulevard Inc., French Company, holds 40% of Equity in the Indian Company Vista Technologies Ltd (VTL). VTL is engaged in development of software and maintenance of the same for customers of the same for customers across the globe. Its clientele includes Boulevard Inc. During the year, VTL had spent 2,000 Man Hours for developing and maintaining software for Boulevard inc, with each hour being billed at Rs. 1,250. Cost incurred by VTL for executing work for Boulevard Inc. amount to Rs. 18,00,000. VTL had also undertaken developing software for Bal Industries Ltd for which VTL had billed at Rs. 2,700 per man Hour. The persons working for Bal industries Ltd and Boulevard were part of the same team and were of matching credentials and caliber. VTL had made a Gross Profit of 50% on the Bal industries work. VTL's transactions with Boulevard inc. is comparable to the transactions with Bal industries, subject to the following differences	**15**	**CO 2** **And** **CO 2**

a) Boulevard gives technical know-how support to VTL which can be valued at 8% of the Normal Gross Profit. Bal industries does not provide any such support.
b) Since the work for Boulevard involved huge number of man hours, a quantity discount of 14% of Normal Gross Profits was given.
c) VTL had offered 90 Days credit to Boulevard the cost of which is measured at 2% of the Normal Billing Gross profit Rate. No such discount was offered to Bal industries Ltd.
Compute ALP and the amount of increase in Total Income of Vista Technologies Ltd. **(15 marks)**

Q4 **A)** Shahi Pvt. Ltd., a domestic company, located in Special Economic Zone (SEZ) since November 2014. **15** **CO 2**

The company is engaged in manufacturing of consumables goods.The manufacturing is-wholly dependent on raw material which is imported from Sumi Inc. of Japan.

The following details are furnished in respect of the financial year 2023-24: (i) Shahi Pvt. Ltd. imported goods for 30 crores from Sumi Inc.
(ii) Sumi Inc. supplied similar raw materials to unrelated parties with a mark-up of 10%, whereas for Shahi Pvt. Ltd. it earned a mark-up of 20%.
(iii) Shahi Pvt. Ltd. was allowed to use the brand name of Sumi Inc. without any payment and whereas the unrelated parties cannot use such brand name in India. The annual cost of brand value is 90 lakhs.
(iv) The Assessing Officer referred the matter to the Transfer Pricing Officer (TPO) for determination of Arm's Length Price (ALP).

You are required to answer the following:
(a) Compute the arm's length price of the transaction and adjustments to be made to the income of Shahi Pvt. Ltd while discussing the relevant provisions.
(b) If Transfer Pricing Officer (TPO) had enhanced the income of Shahi Pvt. Ltd. by 2 crores, will that enhanced amount of income be eligible for deduction u/s lOAA?
(c) Will Shahi Pvt. Ltd. become liable for penalty for under-reporting of income based on the report of the Transfer Pricing Officer (TPO)?

OR

B) Beni Inc. having its business in Malaysia has advanced a loan of MD 1,60,000 to Beni Ltd, India. Book value of total assets of Beni Ltd was ₹125 lakhs. Beni Ltd provides software backup support to Beni Inc. Beni Ltd has spent 50,000-man hours during the financial year 2023-24 for the services rendered to Beni Inc. The cost for Beni Ltd is MD 75/manhour. Beni Ltd has billed Beni Inc. at MD 90.75/manhour. **15** **CO 1**

Gama Ltd. in India which has a similar business model, provides software backup support to Olive Inc. in Penang, Malaysia. Gama Ltd.'s cost and operating profits are as hereunder:

PARTICULARS	**₹ in lakhs**
Direct costs	600
Indirect costs	200
Operating profits	200

(1) Calculate Arm's Length Price for the transaction between Beni Ltd. and Beni Inc. based on the above data of Gama Ltd. using the transactional Net Margin Method. Assume 1 MD = ₹45.
(2) Explain, if there is any adjustment to be made to the total income of Beni Ltd.

Note: MD = Malaysia Dollars **(15 marks)**

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<table>
<tr><td colspan="3">April 2025
Examination: End Semester Examination (UG/PG Programmes)</td></tr>
<tr><td>Programme code: 25
Programme: M.Com (Accounting and Finance)</td><td>Class: SY</td><td>Semester: IV</td></tr>
<tr><td>Name of the Constituent College: S K Somaiya</td><td colspan="2">Name of the Department Accounting & Finance</td></tr>
<tr><td>Course Code: 231P25C403</td><td colspan="2">Name of the Course: International Finance</td></tr>
<tr><td>Duration : 2 Hr.</td><td colspan="2">Maximum Marks : 60</td></tr>
<tr><td colspan="3">Instructions: 1)Draw neat diagrams 2)Assume suitable data if necessary</td></tr>
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<tr><td>Q1</td><td>Answer the following:</td><td></td><td></td></tr>
<tr><td></td><td>a. Outline the concept of carry cost in pricing future contracts.</td><td>05</td><td>CO5</td></tr>
<tr><td></td><td>b. Discuss different methods to calculate forward rate with examples.</td><td>05</td><td>CO2</td></tr>
<tr><td></td><td>c. Examine the aspects of post expropriation policies</td><td>05</td><td>CO4</td></tr>
<tr><td>Q 2</td><td>a. Illustrate and explain the theory of absolute advantage using assumptions and example.</td><td>15</td><td>CO1</td></tr>
<tr><td></td><td>OR</td><td></td><td></td></tr>
<tr><td></td><td>b. Calculate arbitrage possibilities from the below
GBP/EUR 1.6677/07
GBP/DKK 2.0040/80
EUR/DKK 1.2045/75</td><td>15</td><td>CO2</td></tr>
<tr><td>Q 3</td><td>a. Mr. Rohan is looking at GBP/SGD 8.4545/90 and AUD/SGD 6.5555/80. From the information calculate forward rate using swap points for GBP/AUD for 100 days, 125 days.
<table>
<tr><td>Period</td><td>GBP/SGD</td><td>AUD/SGD</td></tr>
<tr><td>1 month</td><td>10/12</td><td>20/18</td></tr>
<tr><td>3 months</td><td>24/32</td><td>35/30</td></tr>
<tr><td>6 months</td><td>68/75</td><td>70/65</td></tr>
</table></td><td>15</td><td>CO3</td></tr>
<tr><td></td><td>OR</td><td></td><td></td></tr>
<tr><td></td><td>b. Mr. Ram is looking at USD/INR 87.4545, according to him interest rate in INR is 5.5% p.a and USA is 2% p.a. He anticipates the exchange rate will change proportionately with the inflation to be around 89.0085 at the end of 6 months. Calculate interest arbitrage possibility for him and give your suggestions.</td><td>15</td><td>CO3</td></tr>
<tr><td>Q 4</td><td>a. Classify the different types of derivative contracts and participants in the</td><td>15</td><td>CO5</td></tr>
</table>

	derivative market. OR b. Elaborate on the types of international bonds available for investment in the international markets.	15	CO4