PART – I

SECTION – A

Case Scenario – I :

XYZ Ltd. wants to establish a shoe manufacturing unit. To setup this unit, it needs a loan. XYZ Ltd. approaches a commercial bank for working capital loan.

Bank has asked the company to present the proposal for such loan. To prepare such proposal, the company has appointed you and provided some information about the plan.

It wants to maintain margin of safety of 10% for contingencies. The company want to keep cash balance of ₹ 90,000.

The product will be sold at gross profit margin of 25% on COGS. Depreciation will be part of cost of production.

Stock of raw material will be held at 1.5 months of its consumption, while finished goods inventory will be maintained at one month's requirement. Finished goods will be valued at manufacturing cost.

The company will sell shoes in domestic as well as in foreign market. Total estimated annual sales will be ₹ 30,00,000. 20% of the sales are foreign sales and there will be a delay of 1/2 month to realise the sales proceed from foreign debtors. All domestic sales will be on credit and allowed a credit period of 2 months.

Raw material consumed will be 25% of estimated sales and the company will get credit period of 2 months of consumption from its supplier of raw material. Wage expenses will be 20% of sales and will be paid in 1/2 month's lag.

Outstanding cash manufacturing overhead expenses at the end of the year will be ₹ 60,000; it will be paid in one month arrear. Estimated total administrative cost (to be paid after one month) will be ₹ 1,80,000. Expected annual sales promotion expenses are ₹ 90,000, which will be paid quarterly in advance. The company want to submit the proposal to bank on cash cost basis.

You are required to answer the following question **1** to **5** :

1. What will be the total estimated current assets on cash cost basis ? **2**

   (A) ₹ 8,31,250

   (B) ₹ 7,18,750

   (C) ₹ 7,25,250

   (D) ₹ 7,10,250

90,000
+ 93,750
1,87,000
3,00,000
56,250

Cash 90,000
RM. - 1.5 m $\frac{30,00,000 \times 25\%}{12}$
FG :
Drs. - Dom $\frac{30,00,000 \times 75\%}{12} \times 1$
Int
$\frac{30,00,000 \times 75\% \times 80\%}{12} \times 2$
+ $\frac{30,00,000 \times 75\% \times 20\%}{12} \times 1.5$

2. What will be the total estimated current liabilities ? **2**

   (A) ₹ 2,52,500

   (B) ₹ 1,90,000

   (C) ₹ 2,17,500

   (D) ₹ 2,25,000

1,25,000
60000
+ 90,000
18000

3. What will be the estimated working capital to be submitted by you in the proposal ? **2**

   (A) ₹ 5,33,775

   (B) ₹ 4,36,725

   (C) ₹ 5,50,275

   (D) ₹ 4,50,225

4. What will be the total manufacturing cost and total cost of sales on cash cost basis ? 2

(A) ₹ 20,70,000, ₹ 23,40,000

(B) ₹ 24,00,000, ₹ 30,00,000

(C) ₹ 22,50,000, ₹ 23,40,000

(D) ₹ 16,80,000, ₹ 24,00,000

5. What will be the total estimated finished goods inventory and total debtors on cash cost basis ? 2

(A) ₹ 2,00,000, ₹ 4,25,000

(B) ₹ 1,72,500, ₹ 3,40,000

(C) ₹ 1,72,500, ₹ 3,31,500

(D) ₹ 1,87,500, ₹ 3,31,500

6. Q Ltd. is planning to pay dividend of ₹ 2 per share in next year. Growth rate of company is 8% p.a. Current market price per share is ₹ 51. Flotation cost is ₹ 1 per share.

$\frac{2}{50} + 0.08$

What will be cost of equity ? 1

(A) 12.23%

(B) 11.92%

(C) 12.00%

(D) 12.32%

7. A company has net worth of ₹ 5,00,000. Its debt to equity ratio is 2. Interest on debt is 10%. The company earns an operating profit of ₹ 4,00,000. Tax rate is 30%.

What will be the Financial leverage of the company ? **2**

(A) 1.11

(B) 1.33

(C) 1.43

(D) 1.90

8. T Ltd. is looking for a capital project in order to replace its existing old machine. It got two proposals to consider ; details of which are given below : **2**

	Proposal X	**Proposal Y**
Initial investment	₹ 6,50,000	₹ 7,80,000
Estimated useful life	5 Years	3 Years
Annual cash inflows	₹ 1,90,000	₹ 3,50,000
Cost of capital	10%	10%

Year	**1**	**2**	**3**	**4**	**5**
$PVIF_{0.10,\,t}$	0.909	0.826	0.751	0.683	0.621
$PVIFA_{0.10,\,t}$	0.909	1.736	2.487	3.170	3.791

What will be Equivalent Annual NPV for Proposal X and Proposal Y ?

(A) ₹ 70,290.00, ₹ 90,450.00

(B) ₹ 18,541.28, ₹ 36,369.12

(C) ₹ 1,90,000.00, ₹ 3,50,000.00

(D) ₹ 77,326.73, ₹ 99,504.95

SECTION – B

Case Scenario – II :

A team of professionals having expertise in the areas of Artificial Intelligence (AI), Block Chain (BC), Cloud Computing (CC) and Data Mining (DM) formed a company in the name and style of M/s. ABCD Ltd. (the company).

The aim of the company is to position itself as the best service provider in its area of operations with best user experience to its customer. Concentrating on its resources and capabilities, the company wants to target 8% year-on-year growth in revenue and 9% year-on-year growth in net profit in its business plan.

In order to identify right approach to select and implement the strategy, the company has decided to conduct in depth strategic analysis on strategic groups, objectives, performance and cost structure of companies having similar operations in the market.

In the month of March 2025, the Board of Directors of the company thought it proper to be in the business of manufacturing Robots and providing services relating thereto. The company knows that there is no linkage between existing and proposed business with specific reference to product or market or technology.

As per proposed arrangement, majority of the components of Robots will be imported from M/s. Faisla Inc. (FI), an established player in this area. The Robots will be assembled in India specifically for use at homes and in restaurants.

The company will endeavor to provide the above product while using cutting-edge technology with customized features and best of the services. The core intent will be to elevate the same to unprecedented level. In this context, the company would like to offer additional facilities like : better customer interface, online repair service and services on site to its customer.

In addition, company is of a considered view that meticulous analysis of its stakeholders will facilitate to build and maintain strong relationship with each group. As an accepted practice, greatest efforts are in place to satisfy Mr. X, the Chief Executive Officer of the company by taking his advice and keeping him informed with all related information and developments on a regular basis.

Based on above case scenario, choose the correct option for MCQ number **9** to **13** :

9. Entering into business of manufacturing of Robots can best be described as : **2**

(A) Backward vertical integration

(B) Co-generic diversification

(C) Conglomerate diversification

(D) Divestment

10. Elevating customer service to unprecedented level by providing better customer interface, online repair service and service on site is known as : **2**

(A) Augmented marketing

(B) Enlightened marketing

(C) Social marketing

(D) Synchro marketing

11. While preparing a Power Interest matrix of stakeholders, the position of Mr. X will be categorized in which one of the following quadrants ? 2

(A) Key player

(B) Keep satisfied

(C) Keep informed

(D) Low priority

12. In order to position itself as the best service provider, stating year-on-year growth, indicates which one of the components of the strategic intent ? 2

(A) Goals

(B) Objectives

(C) Mission

(D) Vision

13. Analysis of strategic groups and cost structure can be termed as, which type of strategic analysis ? 2

(A) Competitor analysis

(B) Determinants analysis

(C) Environmental analysis

(D) Market analysis

14. M/s. SPG is a multi-product multi-business enterprise. It has four prominent divisions. Each division functions as an independent product center with its own set of activities managed by respective division head, which is responsible for its own performance and profitability. This organizational structure is known as : 1

(A) Divisional structure

(B) Multi divisional structure

(C) Strategic Business Unit

(D) Network structure

15. In response to a scheme of subsidy by the state government, a company started manufacturing E-Vehicles. Some of the customers were not at ease with battery life and time consumed in recharging the battery. Some of the customers were apprehensive about frequent incidents of battery catching fire. All these resulted in half-hearted response from the customers in evolving EV market.

Here, the customers' response is indicating towards which one of the limitations of strategic management ? 2

(A) Environment is highly complex and turbulent.

(B) Strategic management is a time-consuming process.

(C) Strategic management is a costly process.

(D) It is difficult to estimate the competitive response to the firm's strategy.

16. M/s. A is providing mobile phones and Wi-Fi services in the country. M/s. B and M/s. C are other similar service providers already in operation. In competitive landscape, M/s. B and M/s. C decided to merge with each other. Such merger was an unexpected development in the industry. M/s. A decided to cope-up with such eventuality by intense review of its strategy and to form a core group to handle the situation.

The situation where intense review of strategy is needed due to merger between M/s. B and M/s. C, indicates towards which type of strategic control for M/s. A ? 2

(A) Premise control

(B) Implementation control

(C) Strategic surveillance

(D) Special alert control

PART – II

SECTION – A

1. (a) The following information is available for S Ltd. for the year ended 31st March, 2025 : **5**

Raw Material consumed	20% of COGS
Raw Material Inventory turnover ratio	4.00
Finished Goods Inventory holding period	0.75 month
Gross profit (based on COGS)	12.50%
Debtor collection period (all sales are credit sales)	3 months
Proprietary ratio	0.3125
Fixed Assets turnover ratio (based on sales)	3.00
Fixed Assets to Total Assets	40%

You are required to prepare a Balance Sheet as on 31st March, 2025 in the following format :

Liabilities	₹	**Assets**	₹
Shareholders' Fund (assume no Preference Shares)		Fixed Assets	12,00,000
Long-term Debt	15,00,000	Stock of Raw Material	
Current Liabilities		Stock of Finished Goods	
		Debtors	
		Cash	
Total		**Total**	

(b) Y Ltd. produces energy drinks in different flavours. Due to high demand of its product, the rate of return on its earnings is 25%. Currently, the company retains 60% of its earnings and distributes the rest. The current P/E ratio is 8 and earnings per share is ₹ 10. 2+1+2 =5

According to Gordon's Model :

(i) What will be retention ratio if the company wants to maintain its P/E ratio to 12 in current year, given that the expected rate of return for an investor is 20% ?

(ii) What will be the expected price per share after one year if Y Ltd. achieves above-mentioned targeted P/E ratio ?

(iii) Will there be any change in retention ratio if the company wants to maintain its P/E ratio to 10 in current year, given that the expected rate of return for an investor is 17.50% ?

(c) Following information relates to A Ltd. for the year ended 31st March, 2025 : 2+1+2=5

Profit volume ratio	24%
Operating leverage	2.00
Financial leverage	1.50
Interest Expenses	₹ 12,000
Tax rate	30%
Number of Equity Shares	1,000

You are required to :

(i) Prepare Income Statement for the year ended 31st March, 2025.

(ii) Calculate EPS.

(iii) Calculate percentage change in earnings per share, if sales increase by 5%.

2. (a) Capital structure of B Ltd. for the year ended 31st March, 2025 are as follows : **1+2+3+2 =8**

Particulars	Amount (₹)
Equity share capital @ ₹ 10 each	14,00,000
10% Preference share capital @ ₹ 1,000 each	10,00,000
Debenture @ ₹ 100 each	9,60,000
Bank Loan	6,40,000

- Risk-free rate of return is 14%, Market rate of return is 19% and beta of company is 1.20.
- 10% Preference shares are redeemable at ₹ 1,065.40 after 3 years.
- Interest on bank loan is 1.30 times of interest on debentures.
- Debentures are redeemable at par after 5 years. Floatation cost is ₹ 4 per debenture.
- Tax rate is 30%.
- Cost of capital is 14%.

You are required to calculate the following :

(i) Cost of Equity.

(ii) Cost of preference share using YTM method.

(iii) Post-tax cost of debenture using approximation method.

(iv) Interest rate of bank loan.

PV factors @ 10% and 14%

Year	1	2	3	4
$PVIF_{0.10,\,t}$	0.909	0.826	0.751	0.683
$PVIF_{0.14,\,t}$	0.877	0.769	0.675	0.592

(b) Following details are related to H Ltd. : 2

EPS	₹ 3.00
Return on investment	20%
Cost of equity	15%

$P = \frac{D + \frac{r}{k_e}(E-D)}{k_e}$

As per Walter's Model, what would be the maximum and minimum price of share ?

3. (a) Following data are given for a capital project : 1+1+1+1+2=6

Annual interim cash inflows for first two years	₹ 1,00,000
Annual interim cash inflows for next two years	₹ 80,000
Useful life	4 Years
Salvage value at end of the project	₹ 50,000
Internal rate of return	12%
Cost of capital	10%

You are required to calculate the following :

(i) Initial investment 3,08,640

(ii) Net present value

(iii) Profitability Index

(iv) Discounted payback period

(v) MIRR

Year	1	2	3	4
$PVIF_{0.09,\,t}$	0.917	0.842	0.772	0.708
$PVIF_{0.10,\,t}$	0.909	0.826	0.751	0.683
$PVIF_{0.11,\,t}$	0.901	0.812	0.731	0.659
$PVIF_{0.12,\,t}$	0.893	0.797	0.712	0.636
$FVIF_{0.10,\,t}$	1.100	1.210	1.331	1.464
$FVIF_{0.12,\,t}$	1.120	1.254	1.405	1.574

(b) Z Ltd. is an unlevered company. It wants to repurchase its equity shares of ₹ 300 lakhs by issue of 12% debentures of same amount. Current market value of Z Ltd. is ₹ 1,400 lakhs. Its cost of capital is 18%. The company will maintain same level of EBIT in future years. Dividend pay-out ratio is 100%. Company pays tax at a rate of 30%. **4**

As per Modigliani and Miller approach, due to such change in capital structure, what will be impact on the following ?

(i) Market Value of Z Ltd.

(ii) Overall cost of capital

(iii) Cost of equity

4. (a) What is agency cost and what are its types ? How can a company minimize agency cost and align the interest of manager and shareholder ? 4

(b) What are key features of bridge financing ? 4

(c) What is hierarchy of financing under 'Pecking Order' theory, and why does it exist ? 2

OR

(c) "The total risk of any business is the combination of degree of operating and financial risk". In the light of the above statement, you are required to consider the first two columns of the given table and give your comments in the 3rd column. 2

Your comments should depict the total risk profile by using the most appropriate amongst the following three words only :

Lower, Higher and Moderate.

Also select the best combination of DOL and DFL from the given table.

DOL	**DFL**	**Comments**
Low	High	
High	Low	
High	High	

SECTION – B

5. (a) SemiCon Pvt. Ltd. (SPL) is engaged in manufacturing of semiconductors from the year 2024. Company wants to start a strategic path to be followed in future so as to build best quality semiconductor and display design with innovative ecosystem to enable India's emergence as a global hub for electronics manufacturing in a more structured manner. Placing core values as its priority, it would like to clearly articulate its aspirations to the stakeholders with a guiding beacon to keep inspiring its workforce. **1+1+1+2=5**

Identify and explain one of the components of strategic intent which will help indicate towards above stated intentions. Why such component is important for a successful organization ? Also state the essentials of such component.

(b) In addition to new market opportunities and change in customer preferences, as a known fact, technology is also changing very fast. In view of the same, 'Twaran', having a small and mid-sized business wants to use latest digital technologies for improved procedures and products. The primary aim of the firm is to have a competitive edge in the evolving business landscape by digital transformation. The entity would like to deal with regular changes firmly, along with transforming its management techniques. **1+4=5**

Identify the strategy required for digital transformation. Also state the most preferred practices to be followed by the entity.

(c) MaAi is a prominent group of companies. Currently it has businesses named Alpha, Bravo, Charlie and Delta. In year 2020, the company had acquired a business dealing in product 'Nota'. In evaluating the contribution to its portfolio, it was observed that product 'Nota', is not contributing as it was expected rather causing a financial duress. After identifying apparent problem area, in the year 2023, an emphasis was placed on change in management and improvement in internal efficiency. However, on further evaluation in the year 2024, it was observed that even after due emphasis, positive outcome is not there and in-turn the company decided to get rid-of the business related to product 'Nota'. 1+1+3=5

Identify the retrenchment strategies followed by the company for product 'Nota' (i) in the year 2023 (ii) in the year 2024. Also state various reasons to adopt the strategy by any organization, as followed in the year 2024 for product 'Nota'.

6. (a) Explain the importance of values, as one of the components of strategic intent for a company. What are the common examples of values ? How values are different from intent ? 3+1+1=5

(b) In order to get better performance and sustainable competitive advantages, a company has to focus on the characteristics of its resources and capabilities. In view of this, explain the major characteristics of resources and capabilities. **5**

(a) What do you mean by value chain analysis ? Delineate the support activities in value chain analysis, as stated by Michael Porter. **1+4 =5**

(b) Explain differentiation strategy as one of the generic strategies by Michael Porter. What are the major bases of differentiation ? Also outline the strategies which can help achieve the differentiation strategy. **1+2+ 2=5**

(a) What do you mean by Key Success Factors (KSF) ? Structure the questions, answer to which can help identify KSFs of a company. Also state, as to how the understanding can help ascertain sustainable competitive advantages. **1+2+ 2=5**

(b) Explain in brief the expansion strategy as one of the corporate strategy. Also state the characteristics of expansion strategy. **1+4 =5**

OR

(b) "A manager as a strategic leader has to play many leadership roles", while explaining the statement in brief, delineate the leadership roles which a manager has to play in pushing for a good strategy execution. 1+4 =5