

Time Allowed : 3 hours	Full Syllabus Paper-02	Total : 100 Marks
Financial Management (50 Marks)		
Part I : Case Scenario Based MCQs (15 Marks)		

Q.1 Following information is provided to you:-

- (a) Total Sales = ₹ 1,20,00,000
- (b) Credit Sales = 75% of total sales
- (c) 60% customers pay within 10 days and 40% customers pay within 60 days
- (d) Cost of Sales is 80%
- (e) Total 360 days in a year
- (f) 50% financing is arranged @14% and remaining 50% @15% you are asked the following :-

(a) Average collection period

- (i) 35 days
- (ii) 32 days
- (iii) 28 days
- (iv) 30 days

(b) Debtors Balance

- (i) ₹ 6,00,000
- (ii) ₹ 7,50,000
- (iii) ₹ 5,00,000
- (iv) ₹ 8,50,000

(c) Funds Invested in Debtors

- (i) ₹ 6,00,000
- (ii) ₹ 7,50,000
- (iii) ₹ 5,00,000
- (iv) ₹ 8,50,000

(d) Financing cost of investment in Debtors

- (i) ₹ 82000
- (ii) ₹ 92,000
- (iii) ₹ 87,000
- (iv) None of the above

(e) Debtors Turnover Ratio

- (i) 12 times
- (ii) 10 times
- (iii) 15 times
- (iv) None of the times

(2X5 =10 Marks)

Q.2 Combined Leverage of a company is 1.7 . If there is chnge in sales by 20% how much changed would have taken place in EPS

- (i) 34% (Increase)
- (ii) 34% (decrease)
- (iii) 34% (change)
- (iv) None of the Above

(2 Marks)

Q.3 Proprietary Ratio of a firm is 54% what is its conclusion

- (i) 54% of total assets are legally owned
- (ii) 100% of total assets are legally owned but 54% of Total asset are financially owned
- (iii) 100% of total assets are financially owned- but 54% of total asset are legally owned.
- (iv) Non e of the Above.

(2 Marks)

Q.4 Financial Accounting generates financial information which is used by financial management decision –making

- (i) True
- (ii) False
- (iii) Can't say
- (iv) Both

(1 Marks)

Part II: Descriptive Questions (35 Marks)**Q. No. 5 is Compulsory****Attempt any Two Questions out of remaining 3 questions.**

Q.5 (A) A new customer has approached a firm to establish new business connection. The customer require 1.5 month of credit of credit. If the proposal is accepted, the sales of the firm will go up by ₹ 2,40,000 per annum. The new customer is being considered as a member of 10% risk of non-payment group. The cost of sales amounts to 80% of sales. The tax rate is 30% and the desired rate of return is 40% (after tax).The investment in debtors is decided on sales basis. **(5 Marks)**

Q.5 (B) X Ltd. is considering the following two alternative financial plans:

Particulars	Plan - I (₹)	Plan - II (₹)
Equity Shares of ₹ 10 each	4,00,000	4,00,000
12% Debentures	2,00,000	---
Preferential Shares of ₹ 100 each	---	2,00,000
	6,00,000	6,00,000

The Indifference Point between the plans is ₹ 2,40,000. Corporate tax rate is 30%. **Calculate** the Rate of dividend on Preference share. **(5 Marks)**

Q.5 (C) A company issued 25,000, 14% debentures of ₹ 1,000. The debentures are redeemable after the expiry period of 5 years. The tax rate is applicable to the company is 35% (including surcharge and education cess). You are **required** to calculate cost of debt after if debentures are issued 5% discount with 2% floatation cost. **(5 Marks)**

Q.6 The PQR Company limited is considering to select a machine out of two mutually exclusive machines. The company's cost of capital's 12% and corporate tax rate is 30%. Other information relating to both machines is as follows: -

Particulars	Machine – I	Machine – II
Cost of machine (₹)	15,00,000	20,00,000
Expected life	5 years	5 years
Annual income (Before tax and depreciation) (₹)	6,25,000	8,75,000

Depreciation is to be charged on straight line basis. You are **required** to calculate: -

(i) Discounted payback period (ii) Net present value (iii) Profitability index

The present value factors of ₹ 1 @ 12% are as follows: -

Year	01	02	03	04	05
PV factor @ 12%	0.893	0.797	0.712	0.636	0.567

(10 Marks)

Q.7 (A) A company provides you the **following** information: -

(a) Sales, Purchases etc.

Particulars	April (₹)	May (₹)	June (₹)	July (₹)	Aug. (₹)	Sept. (₹)
Cash Sales	8,000	12,000	16,000	20,000	24,000	28,000
Collected from Debtors	16,000	32,000	48,000	64,000	80,000	96,000
Cash Purchases	8,000	12,000	16,000	20,000	24,000	28,000
Payment to Creditors	12,000	24,000	36,000	48,000	60,000	72,000
Payment of Expenses	12,000	5,000	7,800	2,950	27,000	20,000

(b) The opening cash balance of ₹ 10,000 is the minimum cash balance to be maintained.

(c) Any short fall in the minimum cash balance is to be met by Bank borrowings in the multiple of ₹ 5,000 @ 12% p.a. or by sale of marketable securities in the multiple of ₹ 10,000. Bank interest is payable for a

minimum period of a month.

(d) Any surplus cash is to be used to repay the borrowings in the multiple of ₹ 5,000 or to purchase the marketable securities in the multiple of ₹ 10,000 [ignore interest on securities received and paid]

Required: Prepare the Cash Budget for April to September.

(8 Marks)

Q.7 (B) Write the formula of Price –Earnings Ratio and briefly discuss its meaning **(2 Marks)**

Q.8 (1) What are your views regarding changing of financial management in India. **(4 Marks)**

(2) Explain Angel financing **(4 Marks)**

(3) Explain Return on Total Assets **(2 Mark)**

Strategic Management (50 Marks)

Part I : Case Scenario Based MCQs (15 Marks)

Q.9 Mr. Ramesh Cleared in his Chartered Accountancy course in Nov.1996 attempt for which the result was declared by ICAI in Jan. 1997. He decided immediately to start his own practice in a small office near his home which he took on rent @ ₹ 5,000 p.m. During first 5 years of his practice, Mr. Ramesh faced very difficult times in which he was earning just sufficient amount to absorb his office expenses and meet his personal expenses.

The year 2002 was very much lucky for him because his client base increased multifold and his professional income increased substantially. Also, in the same year, he got married to Rashmi who is also a Chartered Accountant. They decided to practice jointly in the name of the firm "RR and Associates". They divided the professional work in such a way that Account and Audit requirements of client are mainly managed by Ramesh and Taxation and other matters are mainly managed by Rashmi. Both of them work in a co-ordinated manner and earned huge name, fame and wealth.

In the year 2012, they decide to expand their CA practice and open new offices in various cities and appoint new Chartered Accountants to take care of the professional requirements. They further decided to form separate divisions for dealing with separate requirements of individuals, HUFs, Firms and Companies as their client base.

In the year 2022, they decide to further expand and enter into two more divisions, i.e., stock market trading and currency management for overseas sale and purchase activities of various clients. They are handling these two areas also very effectively for last two years.

Based on above, answer the following:-

- (i) What kind of organization structure was adopted by Mr. Ramesh during initial five years of his CA practice, i.e., year 1997 to the year 2002
- | | | |
|----------------------------------|----------------------------------|------------------|
| (a) Simple Structure | (b) Complex Structure | |
| (c) Simply Complicated Structure | (d) Complicated Simple Structure | (2 Marks) |
- (ii) What kind of organization structure was adopted by RR and Associates from the year 2002 to the year 2012
- | | | |
|--------------------------|-----------------------------------|------------------|
| (a) Simple Structure | (b) Divisional Structure | |
| (c) Functional Structure | (d) Strategic Business Unit (SBU) | (2 Marks) |
- (iii) What kind of organization structure was adopted from the year 2012 to the year 2022
- | | | |
|-------------------------------------|------------------------|------------------|
| (a) Divisional Structure | (b) Matrix Structure | |
| (c) Divisional-cum-Matrix Structure | (d) None of the Above. | (2 Marks) |
- (iv) What kind of organization structure has been adopted from the year 2022 onwards:-
- | | | |
|--------------------------------|-----------------------------------|------------------|
| (a) Matrix Structure | (b) Strategic Business Unit (SBU) | |
| (c) Multi Divisional Structure | (d) All of the Above. | (2 Marks) |
- (v) Suppose, due to technological advancement, the role of middle level management is decreasing day-by-day. Also, the role to be played by the managers at the top level or low is either constant or increasing day-by-day. In such a case, we observe
- | | | |
|-----------------------|--------------------------|------------------|
| (a) Network Structure | (b) Matrix Structure | |
| (c) SBU | (d) Hourglass Structure. | (2 Marks) |

Q.10 Every strategy is based upon certain assumptions like inflation, technology and political situation. Such assumptions need to be verified and checked from time-to-time. It is known as

- | | | |
|------------------------------|-----------------------------|------------------|
| (a) Assumptions Control | (b) Pre-assumptions Control | |
| (c) Post-assumptions Control | (d) Premise Control | (2 Marks) |

Q.11 During complicated and turbulent business conditions, which leadership skill will be evaluated:-

- | | | |
|-------------------------------|-----------------------------|------------------|
| (a) Transformation leadership | (b) Transitional leadership | |
| (c) Both of the Above | (d) None of the Above. | (2 Marks) |

Q.12 Kurl Lewin's Model of change can be categorized as:-

- | | | |
|---------------------------------|---------------------------------|-----------------|
| (a) Unfreeze, Change & Refreeze | (b) Refreeze, Change & Unfreeze | |
| (c) Change, Unfreeze & Refreeze | (d) Change, Refreeze & Unfreeze | (1 Mark) |

Financial Management (50 Marks)**Part II: Descriptive Questions (35 Marks)****Q. No. 13 is Compulsory****Attempt any Two Questions out of remaining 3 questions.**

Q.13 (A) Moonlight Private Limited deals in multi-products and multi-businesses. It has its own set of competitors. It seems impractical for the company to provide separate strategic planning treatment to each one of its product or businesses. As a strategic manager, suggest the type of structure best suitable for Moonlight Private Limited and state its benefits. **(5 Marks)**

(B) Ramesh is owner of a popular brand of Breads. Yashpal, his son after completing Chartered Accountancy started assisting his father in running of business. The approaches followed by father and son in management were very different. While Ramesh preferred to use authority and having a formal system of defining goals and motivation with explicit rewards and punishments, Yashpal believed in involving employees and generating enthusiasm to inspire people to deliver in the organization. Discuss the difference in leadership style of father and son. **(5 Marks)**

(C) Baby Turtle is a children's clothing brand that has been created a new age demand for washable diapers. The major benefit for the brand has been that not many companies have shown interest in the product, thinking it is not viable, however, customers, majorly working mothers are loving their product. The core material needed for production is also used in many other water proofing products in various industries. Baby Turtle sources this material from a renowned supplier at comparatively low prices. Which of the five forces of competitive pressure would Baby Turtle experience due to above setup and what are major factors that create such pressure for a product? Do you think Baby Shark has an advantage in some way to fight off this pressure? **(5 Marks)**

Q.14 (A) Suresh Singhania is the owner of an agri-based private company in Sangrur, Punjab. His unit is producing puree, ketchups and sauces. While its products have significant market share in the northern part of country, the sales are on decline in last couple of years. He seeks help of a management expert who advises him to first understand the competitive landscape. Explain the steps to be followed by Suresh Singhania to understand competitive landscape. **(5 Marks)**

(B) Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been pioneer in introducing innovative products. These products will give them good sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by the Yummy Foods taking away the advantage gained by the former. Discuss the strategic approach of the two companies. Which is superior?

(5 Marks)

Q. 15 (A) In modern times, the system of train –reservation can be regarded as digital transformation. Briefly explain the meaning of digital transformation along with its benefits

(5 Marks)

(B) Leadership qualities during normal phase of business are judged through transitional parameters and during abnormal phase are judged through transformational parameters. Briefly discuss the meaning of transformational and transitional leadership

(5 Marks)

Q.16 (A) Explain the network relationship between three levels of management.

(5 Marks)

(B) Explain Mendelow's Matrix

(5 Marks)