

## AGR2

Roll No. 318587.....

Total No. of Questions – 8

Total No. of Printed Pages – 8



Maximum Marks – 70

### GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book of Section-A only. Answers to questions in Part II are to be written in their respective descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I Question Paper will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit the descriptive answer books with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

### PART – II

70 Marks

1. **Section – A :** Question paper comprises 4 questions (1 to 4). Answer Question No. 1 which is compulsory and any 2 out of the remaining 3 questions.
2. **Section – B :** Question paper comprises 4 questions (5 to 8). Answer Question No. 5 which is compulsory and any 2 out of the remaining 3 questions.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. Working note should be Part of the respective answers.

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PART – II

SECTION – A

1. (a) Financial information for the year 2023-24 of two companies, N Limited and C Limited are as under :

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Details	N Limited	C Limited
Equity share capital (₹ 100 each)	₹ 10,00,000	₹ 8,00,000
Debt	₹ 5,00,000 @ 10%	₹ 7,00,000 @ 8%
Fixed Cost	3,00,000	3,36,000
Combined Leverage	8	4.5
Financial Leverage	2	1.5

You are required to calculate :

- (i) Contribution for N Ltd. and C Ltd.  
(ii) Margin of safety in % for N Ltd. and C. Ltd.  
(iii) Sales of C Ltd.
- (b) The following information is available for SK Limited for the year ended on 31<sup>st</sup> March, 2024 :

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Particulars	₹
Cost of production	15,48,000
Cost of goods sold	14,61,000
Average stock of work-in-progress	94,600
Average stock of finished goods	2,43,500
Administration and Selling expenses	4,14,000
Receivables collection period	36 days
Raw Material Storage period	65 days
Creditors payment period	63 days

You are required to calculate the working capital requirement by operating cycle method. Assume a 360 days year.

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- (c) Following information relates to MNP Limited for the year ended on 31<sup>st</sup> March, 2024:

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Inventory turnover ratio (based on cost of goods sold)	7.5 times
Total assets turnover ratio	2.5 times
Long term debt to Shareholders' fund	0.6 :1
Debtors collection period	30 days
Gross profit ratio	25 % on sales
Current Ratio	2.9 :1

Balance Sheet as on 31<sup>st</sup> March, 2024

Liabilities	₹	Assets	₹
Equity share capital	6,00,000	Fixed Assets	?
Reserves & Surplus	3,00,000	Inventories	?
Long term debt	?	Debtors	?
Creditors	3,00,000	Cash	?
<b>Total</b>		<b>Total</b>	

You are required to complete the Balance Sheet of MNP Limited as on 31<sup>st</sup> March, 2024. Assume a 360 days year and all sales are credit sales.

2. (a) Capital structure of T Limited as on 1<sup>st</sup> April 2024 is as under :

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	₹
Equity Share Capital (₹ 10 per share)	50,00,000
10% Debentures (₹ 100 per Debenture)	40,00,000
12% Preference Share Capital (10,000 shares of ₹ 100 each)	10,00,000

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**Additional Information :**

- (1) The risk free rate of return is 10%. The Beta of T Ltd. is 1.75 and the return on market portfolio is 12%. The Equity shares have a current market price of ₹ 70 per share.
- (2) The debentures are trading at a market price of ₹ 80 per debenture. The Debentures are to be redeemed after 5 years at par.
- (3) Preference shares are redeemable after 5 years at a premium of 5%, presently selling at ₹ 104 per share.
- (4) The Company pays tax at a rate of 30%.
- (5) The Cost of Debentures are to be calculated on Yield to Maturity approach.
- (6) The present value factors at 10% and 14% are :

Year	1	2	3	4	5
PVIF <sub>0.10,t</sub>	0.909	0.826	0.751	0.683	0.621
PVIF <sub>0.14,t</sub>	0.877	0.769	0.675	0.592	0.519

You are required to calculate Weighted Average Cost of Capital (after tax) of T Limited using Market value weights.

- (b) Explain Angel Financing.

3. (a) AB Enterprises deals in hardware materials having current turnover ₹ 30 Lakhs per annum. All sales are on credit and average collection period is 30 days with zero bad debts. The customers are requesting to increase the credit period. As a result of increase in credit period sales will also increase. Other information is as under :

Credit policy	Increase in collection period (days)	Increase in sales (₹)	Bad debts anticipated
A	15	3,00,000	1%
B	30	5,00,000	3.5%



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The Selling price is ₹ 100/- per unit. Variable cost per unit is ₹ 50/- and fixed cost is ₹ 5,00,000. Required rate of return on additional investment is 20%. Creditors for variable cost are ready to give 15 days extra credit for the additional cost incurred. Assume a 360 days year.

You are required to analyse the present and proposed credit policies using the "Total Approach" method and recommend the credit policy to be adopted.

- (b) ER Private Limited has a paid-up capital of ₹ 2,50,000 consisting of 25,000 Equity shares of ₹ 10 each. The Market price per share is ₹ 24 with PE ratio of 8. The company is planning to purchase a plant which will cost ₹ 5,00,000. This plant is expected to yield earnings before interest and taxes of ₹ 2,00,000 per annum. It has two alternatives to finance the plant :

Alternatives	Equity	Debt
A	100%	—
B	50%	50%

**Other information is as under :**

- (i) Cost of debt is 12%.
- (ii) Equity shares of face value of ₹ 10 each will be issued at a premium of ₹ 10 per share.
- (iii) PE ratio of Leveraged company will be 7.
- (iv) Tax rate – 40%

Advise which alternative is the most suitable to raise the funds for additional capital, keeping in mind to maximize the benefit to its Shareholders.

4. Answer the following :

- (a) Discuss any 2 advantages and 2 disadvantages of raising finance by issue of debentures. 4
- (b) List any four assumptions of Gordon's Model. 4
- (c) What is Leveraged Lease ? Explain. 2

**OR**

- (c) What are the remedies for over-capitalisation ? 2

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## SECTION – B

5. (a) M/s. MTS Ltd. is one of the mobile telephone service providers in India. It has its own mobile network, towers and distribution channels. It operates through its team of network operation, technicians, marketing, sales and after sales services. Currently all the team members are on its roll. 5

Company knows that market is densely competitive. The environment is quite unstable and likely to remain so. Customer's taste and preferences are changing very fast. There is a strong need for innovation and quick response. While eliminating in-house business functions, company is considering outsourcing major activities and focusing on its core competencies.

In the given situation identify the organizational structure suitable for the company. Also outline the merits and demerits in going for the identified structure.

- (b) Synergy Ltd. is manufacturing a product since year 2010. The company was doing well till year 2022. After that its market share started declining. Accumulated losses started mounting and in turn carried a persistent negative impact on its cash flow. As a result morale of the employees was not up to mark. 5

The Board of Directors (BoD) of the company thought it proper to continue in business by placing emphasis on improvement in internal efficiency. In view of the same, the BoD is evolving a workable action plan with intent to ensure a radical change in direction in strategy which includes revamping in top management.

Which retrenchment strategy company should adopt in the given situation ? Also state the stages in the action plan for the strategy.



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- (c) Market for baby care, readymade garments for new born, toys and strollers meant for babies are there. M/s. Maa ki Pasand is desirous to introduce new products for existing customers and new customers as well. The market for such products is narrow. On one side there are customers who are price conscious and on the other side there are customers who are ready to pay premium charges for an upscale product. The company wants to charge low price, relative to other firms that compete within the target market for customers who are price sensitive and also wants to charge premium based on uniqueness for rest of its products.

Which of the strategy is being considered by the company, out of strategies as suggested by Michael Porter at business level. Also outline the advantages and disadvantages using such strategy.

6. (a) Explain in brief the term 'objectives' as part of strategic intent. Also outline the characteristics, the objectives of a company must possess to be meaningful and to serve the intended role.

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- (b) Value Chain Analysis consist two activities: Primary activities and Support activities. As per Michael Porter both the activities are intertwined. Do you agree with the statement ? Also delineate the main areas in which primary activities of any organization are grouped.

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7. (a) Explain the four specific criteria of sustainable competitive advantages that a company can use to determine the capabilities that are core competencies. 5
- (b) Start-ups rarely aim for stability strategy. While agreeing with the statement or otherwise, support your point of view by briefly stating as to when the stability strategy is meaningful. State the major reasons for considering stability strategy as one of the corporate strategies by a company. 5
8. (a) In light of the five forces as propagated by Michael Porter, explain the common barriers which may cause restrain for the keenness of new entrepreneurs. 5
- (b) Strategic performance measures are key indicators that organizations use to track the effectiveness of their strategies and make informed decisions about resource allocation. In light of the statement, state various types of Strategic performance measures. 5

**OR**

- (b) Explain the pointers for navigating change during digital transformation. 5
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