Question Paper Booklet No.

4567458

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 Questions of Part I are to be marked on the OMR answer sheet 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 type 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.

30 marks

PART - I

1. Answer all questions.
2. Use HB pencil only to darken the circles for answers in the answer sheet.
3. After each question four alternative answers are given. Choose one of the answers and darken the appropriate circle against the question number in the OMR Answer Sheet, completely, as shown below, with HB pencil.

Marking the Answers	
Example : For Question No. 12, if the candidate considers the correct answer to be C, he is to mark as shown below (Correct Method) 12 Ⓐ Ⓑ ● Ⓓ	**Not as shown below (Wrong method) :** 12 Ⓐ Ⓑ Ⓒ Ⓓ 12 Ⓐ Ⓑ Ⓒ Ⓓ 12 Ⓐ Ⓑ Ⓒ Ⓓ 12 Ⓐ Ⓑ Ⓒ Ⓓ 12 Ⓐ ● ● Ⓓ

4. Any answer marked in the question booklet or inside descriptive answer book will not be considered and no marks will be awarded.
5. If a candidate wants to change the answer already darkened, he should erase it completely, with good quality eraser and ensure that no mark is visible after erasing.
6. No mark will be awarded if no circle is darkened or more than one circle is darkened for a particular question. There is no negative marking for a wrong answer.
7. Rough work, if any, must be done on the pages, specified as SPACE FOR ROUGH WORK only and nowhere else in the question paper booklet or in the answer sheet.
8. Before commencement of the exam, please fill up the necessary information in the space provided below and also in the answer sheet.

Total No. of Printed Pages : 12

Maximum Marks : 30

Question Paper Booklet Code | A | G | R | 1 |

Roll No. | 3 | 1 | 8 | 5 | 8 | 7 |

Name of the Candidate ANAM

Anam

Signature of the Candidate

PART - I

1. A company has sales of ₹ 6,00,000, variable cost of ₹ 2,40,000, fixed operating cost of ₹ 2,70,000. The financial leverage is 2.5. The company wants to double its EBIT. The percentage change in sales required in order to double its EBIT will be : 2

   (A) 50%

   (B) 25%

   (C) 40%

   (D) 80%

2. The capital structure of KPS Limited includes 5,00,000 equity shares of ₹ 10 each. The market price of equity share (cum-dividend) is ₹ 75 per share. The company has declared to pay dividend on equity shares @ ₹ 6 per share which will be paid within next three days. The company has a history of consistent growth in its dividends. It has been predicted that in the next year KPS Limited will pay dividend on its equity shares @ ₹ 7.59 per share. The rate of dividend growth will be maintained in foreseeable future. The cost of equity is calculated as : 2

   (A) 36.5%

   (B) 34.5%

   (C) 37.5%

   (D) 38.5%

3. ZX Limited has total assets of ₹ 7,20,000 and its Shareholders' equity is ₹ 4,50,000. The net profit margin of ZX Limited is 12.5% and asset turnover ratio is 1.5. Using the DuPont model, the return on equity of ZX Limited is calculated as : 1

(A) 7.03%

(B) 50%

(C) 11.72%

(D) 30%

NPt

12.5% x 1.5 x TA 7,20,000 / NW 4,50,000

NP/Sales x Assets/TA x TA/NW

Case scenario 1 :

Quick N Safe Logistics is one of the prominent transporters of goods for more than two decades. It has its own fleets and also has business arrangement with Railways.

Competition with existing players and threat from new entrants are increasing regularly. Customer preferences and expectations are also changing. Need for considering new and improved means of transportation seems inevitable.

Current philosophy of the company is 'to bring the best user experience to its customers through timely and safe delivery of goods'. While keeping this philosophy in mind, it desires to keep ahead and reap the benefits of first mover advantages in the industry. In order to achieve its growth target, company is exploring available other options so as to have a strong presence in supply chain management.

The company is of a considered view that 'we learn as we grow'. It knows that the overall per mile operating cost decreases due to increase in efficiency and cumulative volume of services. Since the company will have a cost advantage over the competitors due to reduced cost of services, it can develop and adopt a penetrative pricing strategy by setting a low price to attract more customers.

It is also observed that arrangement of transportation through railways is becoming a concern. Growth rate is slow and market for areas being covered by this means of transport is by and large stabilized. Profit margin is coming down due to stiff competition. Company has to work out an action plan to maintain the stability.

On the other side, one of the customer segments is looking for fast delivery of its goods in major cities all across the country. The prime consideration of such customers is quick and safe delivery of their products, irrespective of cost for the same. The target market of such services is very large and also increasing very fast. In view of the same, the company wants to reform its operation, by engaging a dedicated team to perform with a niche marketing strategy for transporting such goods through airways on an assurance of 'delivery by next day'.

In view of the given case scenario, answer MCQs from **4 to 8** with correct option.

4. In context to service in transportation through railways, the company is analyzing a relationship between volume of business on one axis with respect to time on another axis. As per Product Life Cycle (PLC), which stage this service is passing through : 2

   (A) Introduction (B) Maturity

   (C) Growth (D) Decline

5. In Strategic Management, the concept of decrease in the overall per mile operating cost due to increase in efficiency and cumulative volume of services is depicted as : 2

   (A) Experience curve (B) Ansoff's growth matrix

   (C) Strategic surveillance (D) Value chain analysis

6. As per strategies propagated by Michael Porter, niche marketing strategy for transporting goods through airways for a large customer segment on an assurance of 'delivery by next day', is known as : 2

(A) Cost leadership strategy

(B) Differentiation strategy

(C) Focus differentiation strategy

(D) Focus cost leadership strategy

7. The philosophy of the company stated as, 'to bring the best user experience to its customers through timely and safe delivery of goods', is indicating towards : 2

(A) Vision statement

(B) Mission statement

(C) Goals of the company

(D) Objectives of the company

8. The strategy in which the company wants to keep ahead and reap the first mover advantages in the industry, is known as : 2

(A) Adaptive strategy

(B) Reactive strategy

(C) Proactive strategy

(D) Responsive strategy

9. Super Products Ltd. is having four divisions, i.e. Alpha, Beta, Cos and Theta. All the divisions are independent product center and are also integral part of product Gama of the company. Each division contains its own set of activities under the control of respective general manager. Each general manager is responsible for his respective product line and its profitability. While having own set of competitors, each center has its own competitive advantages with the resources and capabilities they develop. Such structure is known as : 2

(A) Network structure
(B) Divisional structure
(C) Multi divisional structure
(D) Strategic business unit

10. Always Ahead Ltd. is an established player in FMCG, Herbs, Health care and White goods. Company has classified its portfolio on investments in different businesses in four quadrants as suggested by Boston Consulting Group. On further analysis of relationship between market growth rate and relative market share for White goods business, it is found that opportunities to increase its market share are there. Emphasis need to be given to make a strong future with large market share even by foregoing short-term earnings for this business. Which strategy is being pursued by the company for White goods segment : 2

(A) Build
(B) Hold
(C) Harvest
(D) Divest

11. The correct sequence of the stages as per Kurt Lewin's model of change is : 1

(A) Changing to the new situation, Unfreezing the situation and Refreezing
(B) Unfreezing the situation, Refreezing and Changing to the new situation
(C) Refreezing, Unfreezing the situation and Changing to the new situation
(D) Unfreezing the situation, Changing to the new situation and Refreezing

Case Scenario 2 :

RS Limited is manufacturing and selling soft drinks in India. The production process involves one important process, which increases the shelf life of the soft drinks. Presently, the machine used for this purpose is an old one, in which wastage due to breakage of glass bottles is considerably high and due to its limited capacity, the company is not in a position to increase its production.

The production manager has approached the CEO of RS Limited for purchasing an automated machine, which will drastically reduce the wastage due to breakage during the process of increasing shelf life of soft drinks. The automated machine will support increase in production. The production manager is confident that acquisition of the automated machine will be beneficial for the company.

Other information is as under :

- With the introduction of automated machine, additional sales and related costs over the next five years would be as follows:

Year	Additional Sales Unit	Selling price per unit (₹)	Variable Manufacturing, Selling and Distribution cost per unit (₹)	Additional fixed Selling & Distribution Cost (₹)
1	20,000	30	20	25,000
2	25,000	30	20	30,000
3	30,000	35	20	30,000
4	32,000	35	22	35,000
5	28,000	35	22	35,000

- Cost of acquisition of automated machine is ₹ 5,00,000. Residual value of the automated machine at the end of its life of 5 years will be ₹ 50,000. Depreciation on automated machine will be under Straight line method. Depreciation is not included in the cost stated above.

- The Production manager has estimated the cost savings (before tax) due to reduction in breakages as under :

	Year 1	Year 2	Year 3	Year 4	Year 5
Savings in cost due to reduction in breakages	₹ 15,000	₹ 15,000	₹ 20,000	₹ 20,000	₹ 20,000

- The machine which is being used at present has zero written down value and if sold, would fetch an amount of ₹ 10,000 only.

- The cost of capital of the company is 10 %. The tax rate applicable for the company is 30%. Ignore capital gain taxes.

P.V Factors of ₹ 1 at year end at 10%:

	Year 1	Year 2	Year 3	Year 4	Year 5
P.V Factor of ₹ 1	0.909	0.826	0.751	0.683	0.621

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You are required to answer the following Questions **12 to 16** :

12. What is the Cash Inflow after Taxes for the Year 1, Year 2 and Year 3 of the investment proposal ? **2**

(A) ₹ 1,50,000, ₹ 1,85,000, ₹ 3,45,000

(B) ₹ 1,65,000, ₹ 1,95,500, ₹ 3,55,000

(C) ₹ 1,60,000, ₹ 1,91,500, ₹ 3,35,000

(D) ₹ 1,70,000, ₹ 1,90,000, ₹ 3,40,000

13. What is the Discounted Cash Inflow after Taxes for the Year 1, Year 2 and Year 3 of the investment proposal ? **2**

(A) ₹ 1,49,985, ₹ 1,61,483, ₹ 2,66,605

(B) ₹ 1,36,350, ₹ 1,52,810, ₹ 2,59,095

(C) ₹ 1,54,530, ₹ 1,56,940, ₹ 2,55,340

(D) ₹ 1,45,440, ₹ 1,58,179, ₹ 2,51,585

14. What is the Net Present Value of the investment proposal ? **2**

(A) ₹ 3,78,990.30

(B) ₹ 4,54,980.60

(C) ₹ 4,74,890.40

(D) ₹ 3,89,260.70

15. What is the Discounted Payback period of the investment proposal ? 2

(A) 2.74 years

(B) 2.87 years

(C) 2.38 years

(D) 2.48 years

16. What is the Profit before Taxes for the Year 2, Year 3 and Year 4 of the investment proposal ? 2

(A) ₹ 2,35,000, ₹ 4,40,000, ₹ 4,01,000

(B) ₹ 1,45,000, ₹ 3,50,000, ₹ 3,11,000

(C) ₹ 2,05,000, ₹ 4,10,000, ₹ 3,66,000

(D) ₹ 1,40,000, ₹ 3,60,000, ₹ 3,31,000

1,45,400

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$2 + \frac{1,96,381}{2,51,685}$