

## FMSM Question Paper – September 2024 – MCQS

**Q1:** 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:

- (a) 50%
- (b) 25%
- (c) 40%
- (d) 80%

(CA Inter Sept 2024) (2 marks)

**Q2:** 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:

- (a) 36.5%
- (b) 34.5%
- (c) 37.5%
- (d) 38.5%

(CA Inter Sept 2024) (2 marks)

**Q3:** ZX Limited has total assets of ₹7,20,000 and its Shareholder's 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:

- (a) 7.03%
- (b) 50%
- (c) 11.72%
- (d) 30%

### 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 stabilised. 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.

(CA Inter Sept 2024)

**Q4:** In context to service in transportation through railways, the company is analysing 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:

- (a) Introduction
- (b) Maturity
- (c) Growth
- (d) Decline

(2 marks)

**Q5:** 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:

- (a) Experience curve
- (b) Ansoff's growth matrix
- (c) Strategic surveillance
- (d) Value chain analysis

(2 marks)

**Q6:** As per strategies propagated by Michael Porter, niche marketing strategy for transporting goods through airways for a large customer on an assurance of 'delivery by next day', is known as:

- (a) Cost leadership strategy
- (b) Differentiation strategy
- (c) Focus differentiation strategy
- (c) Focus cost leadership strategy

(2 marks)

**Q7:** 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:

- (a) Vision statement
- (b) Mission statement
- (c) Goals of the company
- (d) Objectives of the company

(2 marks)

**Q8:** The strategy in which the company wants to keep ahead and reap the first mover advantages in the industry, is known as:

- (a) Adaptive strategy
- (b) Reactive strategy
- (c) Proactive strategy
- (d) Responsive strategy

(2 marks)

**Q9:** 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:

- (a) Network Structure
- (b) Divisional structure
- (c) Multi divisional structure
- (d) Strategic business unit

(CA Inter Sept 2024) (2 marks)

**Q10:** Always Ahead Ltd. is an established player in FMCG, Herbs, Health care and White goods. Company has classified its portfolio on investment 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:

- (a) Build
- (b) Hold
- (c) Harvest
- (d) Divest

(CA Inter Sept 2024) (2 marks)

**Q11:** The correct sequence of the stages as per Kurt Lewin's model of change is:

- (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

(CA Inter Sept 2024) (2 marks)

**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
PV Factor of 1	0.909	0.826	0.751	0.683	0.621

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

(CA Inter Sept 2024)

**Q12:** What is the Cash Inflow after Taxes for the Year 1, Year 2 and Year 3 of the investment proposal?

- (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

(2 marks)

**Q13:** What is the Discounted Cash Inflow after Taxes for the Year 1, Year 2 and Year 3 of the investment proposal?

- (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

(2 marks)

**Q14:** What is the Net Present Value of the investment proposal?

- (a) `3,78,990.30
- (b) `4,54,980.60
- (c) `4,74,890.40
- (d) `3,89,260.70

(2 marks)

**Q15:** What is the Discounted Payback period of the investment proposal?

- (a) 2.74 years
- (b) 2.87 years
- (c) 2.38 years
- (d) 2.48 years

(2 marks)

**Q16:** What is the Profit before Taxes for the Year 2, Year 3 and Year 4 of the investment proposal?

- (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

(2 marks)