

FDT2

Roll No.



Total No. of Questions – 8

Total No. of Printed Pages – 12

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 the 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 book 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 descriptive answer books.
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 notes should be part of the respective answers.

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PART – II

Section – A

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1. (a) KP Ltd. has provided the following information :

- (i) Estimated monthly sales :

Month	₹ in Lakh
April-2024	10
May-2024	12
June-2024	15
July-2024	10
August-2024	13
September-2024	14

- (ii) Gross Profit Ratio is 20%.
(iii) Cost of Goods sold is paid in next month.
(iv) Sales are in credit and credit period is allowed for 2 months.
(v) Indirect Expenses are paid in the same month.

Monthly indirect expenses are as follows :

Month	₹ in Lakh
June-2024	1.0
July-2024	1.2
August-2024	1.0
September-2024	1.3

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(vi) Dividend amounting ₹ 3 Lakh will be paid in the month of September 2024.

(vii) Cash Balance on 01/07/2024 was ₹ 1.5 Lakh.

(viii) The company has to maintain minimum cash balance of ₹ 1 Lakh. If there is cash balance deficit in any month, company would take a temporary short term loan and if cash balance exceed ₹ 2 Lakh, then company would invest for short term excess amount of ₹ 2 Lakh.

(ix) Ignore the interest on short term loans and short term investment.

You are required to prepare Cash Budget for three months starting from July 2024.

(b) Following is the Balance Sheet of EXIM Ltd. as on 31st March, 2024 : $2+1+1+1=5$

Liabilities	₹	Assets	₹
Equity Share Capital of ₹ 100 each	20,00,000	Fixed Assets	50,00,000
Retained Earnings	4,00,000	Current Assets	30,00,000
12.5% Debenture	40,00,000		
Current Liabilities	16,00,000		
	80,00,000		80,00,000

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The additional information is given as under :

Fixed costs per annum (exclusive interest) : ₹ 16,00,000

Variable operating cost ratio : 70%

Total Assets turnover ratio : 2.5

Income tax rate : 30%

You are required to calculate :

- (i) Earnings Per Share
- (ii) Operating Leverage
- (iii) Financial Leverage
- (iv) Combined Leverage

(c) Following information have been provided by LP Ltd. :

3+2
=5

Profit before Tax	₹ 40 Lakh
Tax Rate	30%
Equity Share Capital (₹10)	₹ 40 Lakh
Return on Investment	18%
Cost of Equity	15%
Dividend Payout Ratio	50%

You are required :

- (i) to determine the price of Equity Share of the company as per Walter's Model;
- (ii) to determine the Dividend Pay-out Ratio by applying Walter's Model assuming the price of equity share of the company is ₹ 48.

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1+2+1+3=7

2. (a) The following information pertain to CMC Limited :

Number of Equity Shares	20,00,000
Book Value of 10% Convertible Debentures	₹ 1,00,00,000
Book Value of 12% Bank Term Loan	₹ 25,00,000
Market Price of Equity Share	₹ 55
Market Value of 10% Convertible Debenture	₹ 108
Face Value of Equity Share	₹ 10
Face Value of 10% Convertible Debenture	₹ 100
Beta coefficient of Equity shares of CMC Ltd.	1.5
Risk free rate of return	4.5 %
Equity risk premium	9 %
Rate of taxation	30%

The company expects that the share prices will rise in future at an average rate of 6% per annum. The 10% convertible debentures of ₹ 100 each will be converted in six years' time into equity shares of the company in the ratio of 1 : 4 (4 equity shares for each debenture). The market value of 12% bank term loan is at par.

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You are required to calculate :

- (i) Cost of Equity Share Capital by applying Capital Asset Pricing Model (CAPM) Approach
 - (ii) Cost of Convertible Debenture by using approximation method,
 - (iii) Cost of Bank Term Loan
 - (iv) Weighted Average Cost of Capital using Market Value weights
- (b) The following information pertain to MSD Limited for the year ending 31st March, 2024 : 1+1
+1=3

Particulars	Number of days
Raw material storage period	61 days
Work-in-progress conversion period	20 days
Finished goods storage period	30 days
Debt collection period	45 days
Creditors payment period	60 days

The annual operating cost (including depreciation of ₹ 4,80,000) was ₹ 60,00,000. Assume 360 days in a year.

You are required to calculate :

- (i) Operating cycle period
- (ii) Number of operating cycles in a year
- (iii) Amount of working capital required for the company

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3. (a) SRT Limited manufactures steel rods and is now considering to purchase a new aluminium smelting and moulding plant. This plant will have the cost of ₹ 20,00,000 to purchase and install the plant. It has a useful life of 5 years with a residual value of ₹ 1,00,000. Production and sales from the new plant are expected to be 1,00,000 units per year. Other estimates are as follows :

5+1
=6

Selling Price	₹ 150 per unit
Direct Cost	₹ 100 per unit

Fixed cost (including depreciation) is ₹ 8,00,000 per annum. Marketing and promotion cost not included in the above will be ₹ 1,00,000 and ₹ 1,60,000 for years 1 and 2, respectively. Additionally, investment in debtors and stocks will increase in year 1 by ₹ 1,50,000 and ₹ 2,00,000, respectively. Creditors will also increase by ₹ 1,00,000 in year 1. Thus, debtors, stocks, and creditors will be recouped at the end of the fifth year.

The cost of capital is 18%. Corporate tax is 30 % and is paid in the year in which profits are made. Depreciation is tax deductible. The company follows straight line method of depreciation.

Required :

- Calculate the Net Present Value and Profitability Index of the project.
- Advise SRT Limited whether the plant should be purchased.

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The PV factors at 18% are :

Year	1	2	3	4	5
PV factor	0.847	0.718	0.609	0.516	0.437

- (b) The equity share capital of Sky Pack Ltd. as on 31st March, 2024 was ₹ 2,00,000. The relevant ratios of the company are as follows : 4

Current debt to Total debt	0.35
Total debt to Owner's equity	0.65
Fixed assets to Owner's equity	0.55
Total assets turnover	2.5 times
Inventory turnover	10 times

You are required to prepare the Balance Sheet of Sky Pack Ltd. as on 31st March, 2024.

4. Answer the following :

- (a) Explain the Environmental, Social and Governance linked Bonds. 4
- (b) Discuss the objectives and advantages of wealth maximization goal of Financial Management. 4
- (c) State any two advantages of virtual banking. 2

OR

- (c) State the concept of exclusion of Financing Cost Principle. 2

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Section – B

5. (a) ABC group of companies has five projects at different geographical locations. Each project is managed by a dedicated project manager. A Chief Executive Officer (CEO) is supported by a team of subject matter experts (SMEs) in each function at corporate level of the company. As an accepted practice, the authority and communication flow vertically and horizontally in the company. There are five common functions i.e. finance, human resource, operations, marketing and information technology facilitating each project. Each functional manager is having administrative relationship with respective project manager and functional relationship with related SME with a clear mutual understanding of his or her roles and responsibilities.

1+2+1
+1=5

Identify and explain the organizational structure best suited in the above scenario. State the advantages and disadvantages of the above structure.

- (b) Ecro Ltd. is an e-commerce company that specializes in selling eco-friendly products. Although the company has been doing well, it still continues actively to strengthen its brand identity, launch creative and impactful marketing campaigns, and introduce new and innovative eco-friendly products.

1+1+
3=5

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However, the company has started facing increasing competition from large retailers who are entering the eco-friendly space. To face competition the company quickly started to adapt to the changing market conditions, analyse the competitors' strategies, adopt different styles of marketing in response to competitors' action and counteract competitors' pricing strategies.

Discuss the strategic approaches taken by Ecro Ltd. in the two different situations to stay competitive. Explain the strategy that Ecro Ltd. should adopt in future to remain competitive and gain competitive advantage.

- (c) Organic Beverages has been manufacturing various soft drinks for over a decade. It has developed a sugar free beverage to cater to the needs of specific customers by spending heavily on research and development for this product. In addition, a lot of money was spent on marketing (branded as 'Say no to Sugar') and in obtaining licence for it. In a span of five months, company has gained a major share in the market for this new product and it is growing rapidly. Profitability of this product is also better. In order to take the advantage of best opportunity for expansion, it has to make heavy investment to maintain their position in current and new market.
- 1+2
+2=5

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Classify 'Say no to Sugar' product in the most related category in the two dimensional growth share matrix as per Boston Consulting Group. Explain the strategies which can be pursued post identification and classification of products in such matrix. Also state the limitations of this technique as one of the strategic options.

6. (a) "International development is expensive and challenging". In the context of the statement, explain the internationalization of business and the steps involved in such strategic planning. 5
- (b) "Managing stakeholders is critical to the success of a project". Explain how Mendelow's Matrix helps in managing stakeholders and categorizing the stakeholders into groups. 5
7. (a) Outline the main levels of management generally found in an organization. Also explain the types of networks of relationship between these levels and amongst the same levels of a business. 3+2
=5
- (b) What do you mean by strategic performance measures ? State the reasons for the importance of strategic performance measures for an organisation. 1+4
=5

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8. (a) As per one of the five forces of competition, Michael Porter stated that the more intensive is the rivalry, the less attractive is the industry. In view of this, explain the conditions in which rivalry among competitors tends to be cut throat and industry profitability is low. 5
- (b) Explain the 'product market growth matrix' as propagated by Igor Ansoff as a device for identifying growth opportunities for the future. 5

OR

- (b) Write a short note on the key strategic drivers of an organization. 5
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