



Roll No.

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 the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book 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 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 or any other electronic gadget 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

1. (a) The capital structure of RSA Limited is as under :

2+1+2
=5

	(₹)
Equity Shares (₹ 10 per share)	1,00,00,000
8% Irredeemable Preference Shares (₹ 100 per share)	5,00,00,000

Additional Information:

- Equity shares are quoted at ₹ 60 each and a new issue priced at ₹ 60 will be fully subscribed; flotation cost will be ₹ 4 per share.
- Issue price of the 8% Irredeemable preference shares was ₹ 45.
- Current market price of the 8% irredeemable preference shares is ₹ 55.

RSA Limited has been paying dividend to its equity shareholders at a constant growth rate of 5% per year and the dividend paid this year was ₹ 2 per equity share.

You are required to calculate :

- The cost of equity using Gordon's model
- The cost of the irredeemable preference share
- The weighted average cost of capital using market value weights.

- (b) Diwan Limited has outlined its financial projections for the fiscal year 2025-26. The company plans to utilize total assets amounting to ₹ 50,00,000, with 35% of assets financed through debt at interest rate of 10.50% per annum. Projected sales revenue is ₹ 55,00,000. Direct costs are estimated at ₹ 30,00,000 and other operating expenses are estimated at ₹ 4,80,000. The applicable tax rate is 33%

1×5
=5

You are required to calculate :

- Profit After Tax (PAT)
- Net profit margin (After tax)
- Return on Assets (After tax)
- Asset turnover ratio
- Return on Equity

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- (c) Global Beverage Corporation is considering replacing one of its bottling machines with a newer and more efficient model. The existing machine was purchased five years ago for ₹ 16,00,000 and has a total useful life of ten years. Currently, the company can sell this machine for ₹ 9,60,000. The new machine costs ₹ 32,00,000 having an estimated salvage value of ₹ 3,20,000 and a useful life of five years. With the new machine, annual contribution margin is projected to increase from ₹ 16,00,000 to ₹ 18,40,000 and operating efficiencies are expected to yield further annual savings of ₹ 3,20,000. Depreciation is calculated on a straight-line method over the machine's five-year life. The company's cost of capital is 12% and corporate tax rate is 33%.

You are required to calculate the Net Present Value of new machine.

Given: PVIFA_{0.12,5} is 3.605 and PVIF_{0.12,5} is 0.567

2. (a) M/s KRY Limited is a mid-sized company engaged in manufacturing and sales of Industrial equipment. The capital structure of the company is as under :

1+1+2
+2+1
=7

Equity Share Capital (12,500 Shares of ₹100 each) ₹ 12,50,000

6% Debentures ₹ 50,00,000

8% Bank Loan XXXXXX

Other information are as under :

Total Sales ₹ 75,00,000

P/V Ratio 40%

Operating Leverage 2.4

Combined Leverage 3.84

Corporate Tax Rate 30%

P/E Ratio 8

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You are required to calculate following :

- (i) Earnings Before Interest and Tax
- (ii) Fixed Cost excluding interest
- (iii) Amount of Bank Loan and Bank Interest
- (iv) Earning Per Share
- (v) Market Price Per Share $EPS \times PE$

- (b) Saraswati Ltd. has started its business a year back with a paid-up equity capital of ₹ 50,00,000. The other details are as under : 2+1
=3

Earnings of company	₹ 5,00,000
Market price per share using Gordon's Model	₹ 159.09
Cost of Capital	8%
Internal rate of return on investment	12%
Number of shares	50,000

You are required to :

- (i) Calculate the Dividend paid per share using Gordon's Model.
- (ii) What will be Optimum dividend pay-out ratio according to Gordon's Model when $r = K_e$?

3. (a) AVS Limited is planning to diversify its cotton manufacturing business. The Chief Financial Officer (CFO) intends to raise fund of ₹ 22,00,000 for this project. The current estimates of Earnings Before Interest and Taxes (EBIT) from the new project are ₹ 5,00,000 per annum. The company's share is currently selling at ₹ 120 and is expected to decline to ₹ 110, in case the funds are borrowed more than ₹ 10,00,000. It is stated that the cost of debt will be 14% up to ₹ 8,00,000, 16% for additional amount of ₹ 2,00,000 above ₹ 8,00,000 and 18% for additional amount above ₹ 10,00,000. The tax rate applicable to the company is 30%. The following options are in consideration of the company : 7

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Option	Debt	Equity
I	60%	40%
II	50%	50%
III	40%	60%

Considering the objective of maximising Earning Per Share (EPS), which option of financing should the company choose ?

- (b) A company issues 20,000, 18% Debentures of ₹ 100 each. The debentures are redeemable after a period of 8 years. The cost of debentures using approximation method is 14.58%. The corporate tax rate is 30%. You are required to calculate :

2+1
=3

- (i) Issue price of the Debentures, if redeemable at par.
(ii) Revised Cost of Debentures using approximation method, if redeemable at 10% Premium after 8 years.

4. Answer the following :

- (a) Discuss any 2 advantages and limitations of Stock Splits.

4

- (b) Explain in brief the following types of bonds :

4

- (i) Callable Bonds
(ii) Puttable Bonds
(iii) Masala Bonds
(iv) Drop Lock Bonds

- (c) Explain two basic functions of Financial Management.

2

OR

- (c) Explain any two limitations of profit maximization objective of Financial Management.

2

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SECTION – B

5. (a) ARP Motors, an automobile company, was struggling in the competitive SUV market in India. As a business strategist, you recommended that ARP launch a compact SUV that balances affordability with premium features. In response, ARP developed and introduced FLEXON, strategically pricing it and incorporating high-end features such as a 5-star Global NCAP safety rating, a modern design and an advanced technology. Furthermore, the company expanded into the electric vehicle segment with FLEXON EV, positioning it as one of the most affordable yet feature-rich electric SUVs in India. 5

Which strategy did you recommend to ARP Motors to achieve a competitive advantage ? Explain the strategy briefly and enumerate the key ways ARP Motors implemented it.

- (b) You are the CFO of a multinational corporation that has been facing declining profitability in one of its business units for the past three years. It has been struggling with negative cash flows and intense competition. Significant investment would be needed for technological upgrades. You are not interested in investing in restructuring and revitalizing. A more promising investment opportunity is available elsewhere. As CFO, what step would you take in response to this situation ? How would you justify your decision ? 5

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- (c) XYZ Ltd. recently formulated an international expansion strategy and implemented the new market expansion strategy with the aim of increasing its presence in international markets. However, six months into the implementation, sales figures are not meeting projections. Improper use of resources, undesirable tendencies of the workers, non-conformance to norms and standards and unforeseen regulatory challenges have emerged. Additionally, competitor activity has intensified, affecting market share. As a strategic decision-maker, which function of strategic management process would you perform? What specific elements of that function would you implement to overcome these issues and ensure that planned actions translate into successful achievement of goals and results?

5

6. (a) "A well-defined vision and mission statement provide direction and purpose to an organization." Explain the significance of vision and mission statements in strategic planning.

5

- (b) Which concept explains the efficiency increase gained by worker through repetitive production work, leading to cost reduction and competitive advantage? List down its relevance features in strategic management.

5

7. (a) "The primary objective of SWOT analysis is to help organizations develop a full awareness of all factor involved in making a business decision."

5

In the light of the above statement, explain why is it necessary to do SWOT analysis for business organization before using the strategy.

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- (b) "In a dynamic business environment, merger serves as a critical tool for companies seeking expansion, synergy creation and competitive advantage." Discuss the concept of mergers, their classifications and their impact on business performance. **5**

8. (a) "A close and continuous interaction between a business and its environment helps in strengthening the business firm and using its resources more effectively." Explain Business environment and discuss how does the interaction between a business and its environment helps the business firm. **5**

- (b) "Many managers fail to distinguish between strategy formulation and strategy implementation. Yet, it is crucial to realize the difference between the two because they both require very different skills." **5**

On the basis of this statement, outline the key distinctions between strategy formulation and strategy implementation.

OR

- (b) Write a short note on the hourglass organizational structure. **5**
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