PART – I

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 **1 to 5** with correct option.

1. 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. 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 :

(A) Cost leadership strategy (B) Differentiation strategy

(C) Focus differentiation strategy (D) Focus cost leadership strategy

3. 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

4. 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

5. 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

6. 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

7. 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

8. 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

You are required to answer the following Questions 9 to 13 :

9. 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

10. 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

11. 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

12. 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

13. 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

14. 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%

15. 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%

16. 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%

PART – II

SECTION – A

1. (a) Financial information for the year 2023-24 of two companies, N Limited and C Limited are as under : 5

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 31st March, 2024 : 5

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.

(c) Following information relates to MNP Limited for the year ended on 31st March, 2024: 5

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 31st 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	?
Total		**Total**	

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

2. (a) Capital structure of T Limited as on 1st April 2024 is as under : 8

	₹
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

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
$PVIF_{0.10,t}$	0.909	0.826	0.751	0.683	0.621
$PVIF_{0.14,t}$	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. 2

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 : 5

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%

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 : 5

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 Gorden's Model. 4

(c) What is Leveraged Lease ? Explain. 2

OR

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

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) Symergy 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.

(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. 5

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. 5

(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. 5

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
