



The Institute of Chartered Accountants of India

Code: IN6AF328383

Total Marks: 35

Subject : 06A Financial Management

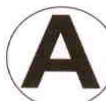
Marks Obtained : 35

Paper No. 6 Section No. A
 Subject FM & SM
 Number of Answer Books used : Main + additional sheets
 Date Seal ☒ 21 JAN 2025

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328383



Paper Code	F	A B C D E ● G H I J K L M N O P Q R S T U V W X Y Z
	D	A B C ● E F G H I J K L M N O P Q R S T U V W X Y Z
	T	A B C D E F G H I J K L M N O P Q R S ● U V W X Y Z
	1	

MCQ Booklet Serial No.	Paper No.	Level of Exam →	Intermediate ●
3094265	6	Intermediate	
MCQ Answers for section A and B			
0 ● 0 0 0 0 0	3 ●	11 A B ● D	21 A B C D
1 1 1 1 1 1		12 A B ● D	22 A B C D
2 2 2 2 ● 2		13 A B C ●	23 A B C D
● 3 3 3 3 3		14 A ● C D	24 A B C D
4 4 4 ● 4 4		15 ● B C D	25 A B C D
5 5 5 5 5 ●		16 A ● C D	26 A B C D
6 6 6 6 ● 6		17 A B C D	27 A B C D
7 7 7 7 7 7		18 A B C D	28 A B C D
8 8 8 8 8 8		19 A B C D	29 A B C D
9 9 ● 9 9 9		20 A B C D	30 A B C D

No Marks for this page



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3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

INSTRUCTIONS TO THE CANDIDATE FOR FILLING THE MCQ ANSWER FIELDS

A.B. Pencil to Darken the appropriate Circle.

1. Read and darken the correct MCQ Booklet Serial No. as printed on your question booklet which will be taken as final for evaluation. If any candidate fills in this information wrongly, Institute will not take any responsibility for rectifying the mistake.

2. Please darken the complete circle.

- If you want to change your Answer, erase the darkened circle completely and make a fresh mark.
- Please do NOT make any stray marks on the OMR cover page.
- Rough work must NOT be done on the OMR cover page.
- Mark your answer only in the appropriate space against the number corresponding to the question.

How to mark answers	
CORRECT METHOD	WRONG METHOD
(A) ● (C) ● (D) ●	✗ ✗ ✗ ✗

Q. No.	To be ticked ☒ by the candidate against the Questions answered (Descriptive Type)	
1	☐	8 ☐
2	☐	9 ☐
3	☐	10 ☐
4	☐	11 ☐
5	☐	12 ☐
6	☐	13 ☐
7	☐	
Total	☐	Total

No Marks for this page



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ICAI

03

Question 1(a)

Sale collection & Crs Payment

	April	May	June	July	Aug	Sep
1) Sales	10L	12L	15L	10L	13L	14L
Collection (2m cr period)			10L	12L	15L	10L
2) Cost of goods sold (80%)	8L	9.6L	12L	8L	10.4L	11.2L
Paid to crs (1m after sales)			12L	8L	10.4L	11.2L
3) Indirect exp (Paid & accrued in same month)						

Cash Budget

Particulars	July	Aug	Sep
opening Bal.	1.5L	1L	1.5L
Receipts			
(+) Sales collection	12L	15L	10L
(-) Payments			(3L)
(-) Dividend paid			
(-) Payment to creditors	(12L)	(8L)	(10.4L)
(-) Indirect exp.	(1.2L)	(1L)	(1.3L)
	30k	7L	(2.7L)
(+) Short term loan (bal fig)	70k	-	3.7L
(-) Investment	-	(5L)	-
Closing Cash Balance	1L	2L	1L

[1-1a:5]



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04

Q.1(b)

Total Asset Turnover Ratio = 2.5
Total Assets (Balance Sheet) = 80L
 $\frac{\text{Turnover (Sales)}}{\text{Total Assets}} = 2.5$
 $\therefore \text{Sales} = 80L \times 2.5 = 200L$

Profitability Statement

Sales	200L	EBIT = Earning before Interest & Taxes
(-) variable cost (70%)	(140L)	
Contribution	60L	EBT = Earning before Tax
(-) Fixed cost	(16L)	
EBIT	44L	
(-) Interest (40L x 12.5%)	(5L)	
EBT	39L	
(-) Taxes @ 30%	(11.7L)	
EAT	27.3L	
No. of equity shares (20L/100)	20,000	

i) $\text{Earning Per share} = \frac{\text{Earning After Tax}}{\text{no. of equity shares}} = \frac{27.3L}{20,000} = 136.5$

ii) $\text{Operating leverage} = \frac{\text{Contribution}}{\text{EBIT}} = \frac{60L}{44L} = 1.3636 \text{ Times}$

iii) $\text{Financial leverage} = \frac{\text{EBT}}{\text{EBIT}} = \frac{39L}{44L} = 1.1282 \text{ Times}$

iv) $\text{Combined leverage} = \frac{\text{Contribution}}{\text{EBT}} = \frac{60L}{39L} = 1.5385 \text{ Times}$

[1-1b:5]



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ICAI 05

Q1 (c)

Profit before Tax 40L

(-) Taxes @ 30% (12L)

Profit After Tax 28L

No. of equity shares ($\frac{40L}{10}$) 4L

Earning Per share 7

Return on Investment (R) = 12%

Cost of Equity = 15% (k_e)

Dividend Pay out Ratio = 50%

Dividend per share = $7 \times 50\% = 3.5$ (D)

Retained Earning = $EPS - DPS = 3.5$

Walter model :-

$$P_0 = \frac{D + \frac{R}{k_e}(E - D)}{k_e}$$

$$= \frac{3.5 + \frac{12\%}{15\%}(7 - 3.5)}{15\%}$$

∴ Price = 51.333 (Approximate)

ii) Dividend P/E Ratio = ? let $DPS = x$

Price = 48

$$48 = \frac{x + \frac{12\%}{15\%}(7 - x)}{15\%}$$

$$7.2 = x + 1.2(7 - x)$$

$$8.4 - 0.2x = 7.2$$

$$[1 - 10.5]x = 6$$

Dividend = ₹ 6, EPS = 7

Dividend Pay out Ratio = $\frac{DPS}{EPS} = \frac{6}{7}$

$\Rightarrow = 85.714\%$



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06

1c ✓ 5 Dividend P/o Ratio @ Price = 48 = 85.7142% ✓

1 ✓ 15

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ICAI 07

Question 2 (a)

i) Cost of equity (CAPM) = $R_f + \beta(R_m - R_f)$
 R_f = Risk free rate
 $(R_m - R_f)$ = Risk Premium
 $R_f = 4.5\%$
 $(R_m - R_f) = 9\%$
 β (Beta) = 1.5
 K_e (Cost of equity) = $4.5\% + 1.5(9\%) = 18\%$
 $K_e = 18\%$

ii) Cost of convertible debentures

$$= \text{Interest} (1 - \text{taxes}) + \frac{\left[\frac{RV - NP}{2} \right]}{\text{Maturity yrs}}$$

$$RV = 4 \text{ equity shares} \times 10 \text{ def} \times \text{Price of equity share @ 6yr}$$

$$NP = \text{Price of equity shares on conversion}$$

$$\text{Redemption Price} = \text{Price after 6 yrs} \times 4 \text{ shares}$$

$$\text{Price of equity shares @ 6th year}$$

$$\text{Price @ 6yr} = \text{Current Price} (1 + g)^6$$

$$\text{Price is expected to grow @ } 6\%$$

$$\text{Price @ 6yr} = 55 (1 + 6\%)^6$$

$$= 78 \text{ (Approx)}$$

$$\text{No Marks for this page} = 28 \times 4 = 312$$



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08

$k_d = \frac{(100 \times 10\%)(1 - 30\%) + \left[\frac{312 - 108}{6} \right]}{\left[\frac{312 + 108}{2} \right]}$

ii) $k_d = \frac{7 + 34}{210} = 19.52\% \text{ (approx.)}$

Rate = 10%
 Face value = 100
 RV = 312
 NP = 108 (Taken as Current market Price)
 Maturity = 6 yrs

Cost of Term loan = Interest (1 - taxes)
 $= 12\% (1 - 30\%)$

iii) $k_{TL} = 8.4\%$

(iv) Weighted Average Cost of Capital

Source	Market value	Weights	Cost	WACC
Equity (20L x 55)	1100L	0.892	18%	0.16056
10% Deb. (108 x 1L)	108L	0.088	19.52%	0.0172
Term loan	25L	0.02	8.4%	0.0017
	1233L	1		

WACC = $\frac{17.94}{100} = 17.94\%$

i) $k_e = 18\%$
 ii) $k_d = 19.52\%$
 iii) $k_{TL} = 8.4\%$
 iv) $k_{ALL} = 17.94\%$

[2-2a:7]



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ICAI 09

Q2(b)

(i) operating cycle period = Raw material holding period +
WIP conversion period + Finished good holding period +
Debt collection period - Creditors payment method.
substituting from question,
operating cycle period = $61 + 20 + 30 + 45 - 60$
 $= 96 \text{ days}$

2bStep1 ✓ 1

(ii) No. of operating cycles in a year = $\frac{360 \text{ days}}{\text{operating cycle period}}$
 $= \frac{360}{96} = 3.75 \text{ cycles per year}$

2bStep2 ✓ 1

(iii) Amount of Working Capital Required
= $\frac{\text{Bath Annual operating cost}}{\text{no. of operating cycles}}$
 $= \frac{60L - 4.8L}{3.75} = \text{£}14,72,000$

2bStep3 ✓ 1

Working capital Required = $\text{£}14.72L$

2b ✓ 3

2 ✓ 10

[2-2b:3]



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Question 3(b)

Equity share capital = 2L (owner's equity)
 Total Debt = 0.65
 owner's equity

Total Debt = 0.65 (owner's equity)
 = 0.65 (2L)
 = 1.3L

Current Debt = 0.35 $\Rightarrow$ Current Debt = 1.3L $\times$ 0.35
 Total Debt = 45500

Fixed Asset = 0.55 $\Rightarrow$ Fixed Asset = 2L $\times$ 0.55
 owner's equity = 1.1L

Total Assets = Total Debt + owner's equity
 = 1.3L + 2L = 3.3L

Total Asset Turnover Ratio = $\frac{\text{Turnover}}{\text{Total Assets}} = 2.5 \text{ Times}$

$\therefore$ Turnover = 8.25L

Inventory Turnover Ratio = $\frac{\text{Sales}}{\text{Inventory}} = 10 \text{ Times}$

$\Rightarrow$ closing Inventory = 82500

Balance sheet as on 31 March 2024

Liabilities		Assets	
	₹		₹
Equity share capital	2L	Fixed Asset	1.1L
Current Debt	45500	Current Assets:	
- current Debt (1.3L - 45500)	84500	Inventory	82500
	3.3L	Other C.A (bal fig)	137500
			3.3L

[3-3b:4]



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Q.3 (A)

Present value of cash outflows

Cost of Plant = 20L (A)

Working capital @ end yr1 (It is assumed to be @ end)

Debtors 1.5L

Stock 2L

→ Cr (1L)

Net working capital 2.5L

PV = 0.847 × 2.5L

PVLO = A + B = 211750 + 20L = 22.11750

Present value of cash inflows:-

Cash flows After Tax

Particulars	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
No. of units sold	1L	1L	1L	1L	1L
Selling Price	150	150	150	150	150
→ Sales	150L	150L	150L	150L	150L
→ Direct cost @ 100p.u	(100L)	(100L)	(100L)	(100L)	(100L)
→ Fixed cost (Includes Dep)	(8L)	(8L)	(8L)	(8L)	(8L)
→ Marketing costs	(1L)	(1.6L)	-	-	-
Profit before Tax	41L	40.4L	42L	42L	42L
→ Taxes @ 30%	(12.3L)				
Profit After Tax	28.7L	28.28L	29.4L	29.4L	29.4L
→ Depreciation	3.8L	3.8L	3.8L	3.8L	3.8L
Cash flow after Tax	32.5L	32.08L	33.2L	33.2L	33.2L
Tax PV factor	0.847	0.718	0.609	0.516	0.437

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PV of CFAT = 102,41,934 (A)

Terminal cash flow = Residual value + working capital
 $= 1L + 2.5L$
 $= 3.5L$

PV = $3.5L \times 0.437$
 $= 152,950 (B)$

PVCI = A + B
 $= 103,94,884$

PVCO = 22,11,750

(i) Net present value = Present value of cash inflows - Present value of cash outflows
 $= 81,83,134$

3aStep1 ☒ 5 Profitability Index = $\frac{PVC I}{PVC O} = \frac{10394884}{2211750} = 4.699 \approx 4.7$

(ii) As the NPV is +ve and PI > 1, the machine should be purchased by SRT Ltd.

3aStep2 ☒ 1

3a ☒ 6

3 ☒ 10 [3-3a:6]



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17

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18

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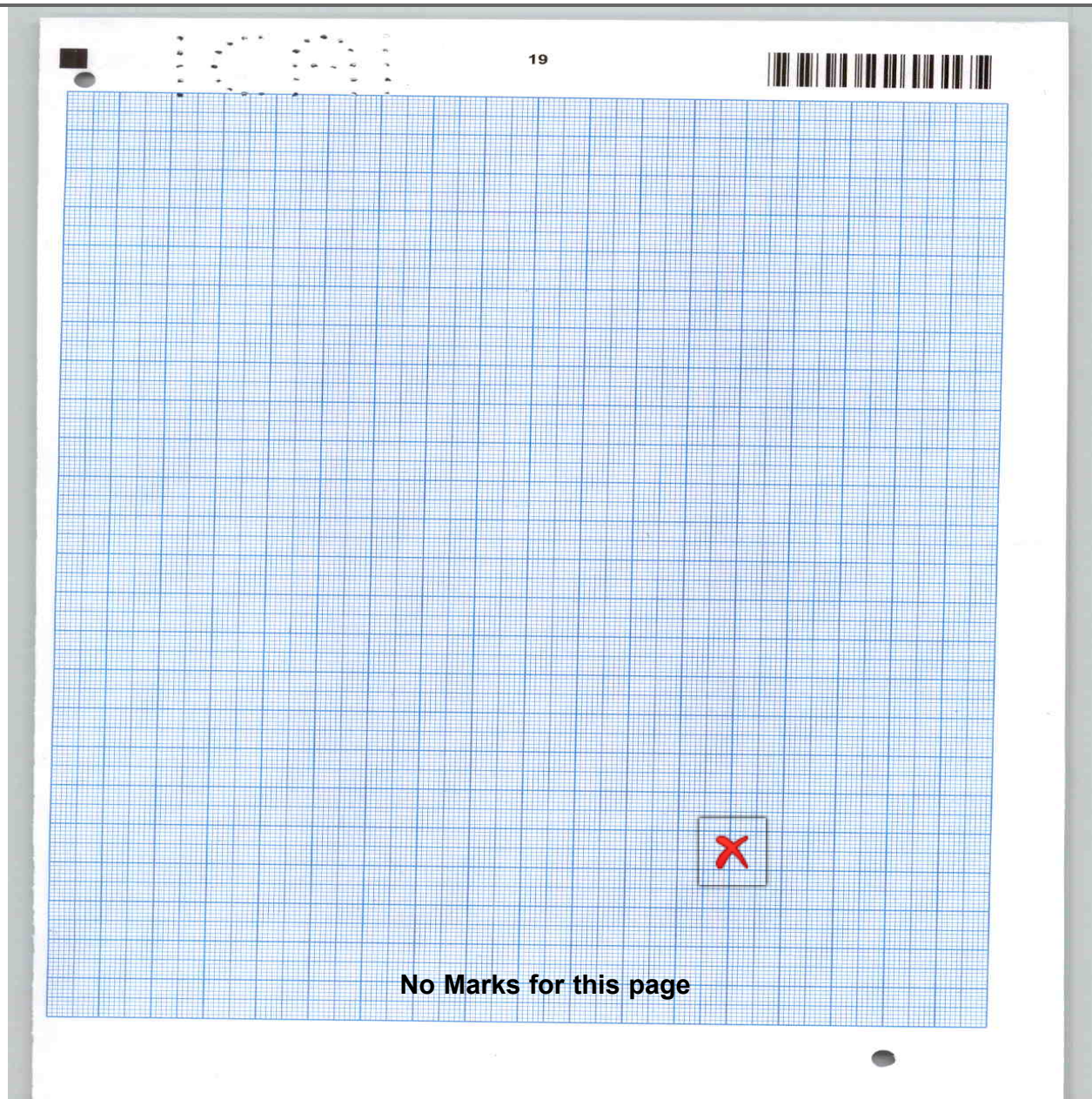
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20

[4-4a:0,4-4b:0,4-4c:0]

X



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Result Overview

Awarded Marks: 35

Max Marks:35

NA Not Attempted

O Optional

M Marked

Q1_ Compulsory (Score: 15/15)

Question No	Awarded Marks	Maximum Marks	Status	Question Comments
1	15	15	M	
1a	5	5	M	
1b	5	5	M	
1c	5	5	M	

Q2_ Q4 (Score: 20/20)

Question No	Awarded Marks	Maximum Marks	Status	Question Comments
2	10	10	M	
2a	7	7	M	
2b	3	3	M	
3	10	10	M	
3a	6	6	M	
3b	4	4	M	
4	0	10	O	
4a	0	4	O	
4b	0	4	O	
4c	0	2	O	