RAHUL SHIKHA ACADEMY
RSA
Quest For Excellence

Dear Students

As we all know that in new syllabus, MCQs have gained a lot of importance and carry a good weightage of 30 marks. And guess what, if we are prepared enough we can score full 30 in this section. Thus, to make every student confident and capable of scoring top notch marks in MCQs, I have conducted MCQ Special MANZIL Batch with specific focus on MCQs only, free of cost for everyone across country and it gives me joy to share that we have completed the same well ahead of the exams. I have put in my sincere efforts and taken deep research as to choose the best MCQs, to compile the same in well presentable style and extensive discussion of the same on RSA Youtube channel.

This publication in particular covers MCQs of the F.M. and S.M. Subject. All the chapters have been covered in 5 sessions and the MCQs cover theoretical and practical aspects including few case studies as well. The questions which involve calculations, for those the detailed solutions have been given for easy and comprehensive understanding.

Hereby, sharing the video links of these sessions as well.

Session 1 - https://youtu.be/HPccvOotZwY?si=C-5FSMFNauVMxvfR

Session 2 - https://www.youtube.com/live/UEjlt3EY9wU?si=gqMd9c6H5Eg0TW_w

Session 3 - https://www.youtube.com/live/N4s2gfMw-X8?si=vP3QSPfgczwsrmd0

Session 4 - https://www.youtube.com/live/8Hzd6AfU3fY?si=dTtsIFcmX3e-yrkH

Session 5 - https://www.youtube.com/live/2198ms0yn91?si=pjwP4TIgx6RYgzvA

Please go through these files as well as videos, before your examination as it will definitely boost your confidence.

Also, you can access the notes and videos of Manzil Batch for our other 2 subjects also ie Advanced Accounting and Cost from our telegram channel (Rahul Shikha Academy).

Wishing everyone All the Best for Exams !

CA Rahul Garg

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F.M. - S.M. **SESSION 1**

Chapters Covered	
1.	Cost of Capital
2.	Leverage
3.	Capital Structure
4.	Theories of Capital Structure

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Question 1

R_f R_m K_e

Given: risk-free rate of return = 5 %; market return = 10%; cost of equity = 15%; value of beta (β) is:

a.	1.9
b.	1.8
c.	2.0 ✓
d.	2.2

$$K_e = R_f + \beta(R_m - R_f)$$

$$15 = 5 + \beta(10 - 5)$$

$$10 = \beta(5) \Rightarrow \beta = 10/5 = 2$$

Question 2

Following is not the method to find Ke.

a.	Dividend Yield Model
b.	Earnings Yield Model
c.	Approximation Model
d.	CAPM

9L (D)
21 (E) RE 6L
F.Iss. 15L

Consider the following data :

A Ltd. wishes to raise additional finance of ₹ 30 lakhs for meeting its investment plans. The company has ₹ 6,00,000 in the form of retained earnings available for investment purposes. The following are the further details :

- Debt equity ratio 30 : 70
- Cost of debt at the rate of 11% (before tax) upto ₹ 3,00,000 and 14% (before tax) beyond that
- Earnings per share ₹ 15
- Dividend payout 70% of earnings
- Expected growth rate in dividend 10%

- Current market price per share ₹ 90
- Company's tax rate is 30% and shareholder's personal tax rate is 20%.

From the above details ~~relating to calendar year 2012~~, answer Q 3 – Q 7.

Question 3

What is the amount to be raised by fresh issue of equity?

a.	21,00,000
b.	6,00,000
c.	15,00,000
d.	None of above

I Kd

D1 3L 11% r

D2 6L 14% r

Question 4

What is the post tax average cost of additional debt?

a.	7.70%
b.	9.80%
c.	9.10%
d.	8.75%

Question 5

What is the cost of retained earnings?

a.	22.83%
b.	18.27%
c.	12.83%
d.	None of above

Question 6

What is the cost of Equity?

a.	22.83%
b.	18.27%
c.	12.83%
d.	None of above

Question 7

What is the overall weighted average (after tax) cost of additional finance?

a.	17.80%
b.	50.20%
c.	16.73%
d.	None of above

$$DFL = \frac{EBIT}{EBT} = \frac{15L}{12.50L} = 1.20$$

Question 8

If EBIT is ₹ 15,00,000, interest is ₹ 2,50,000, corporate tax is 40%, degree of financial leverage is :

a.	1.11
b.	1.20
c.	1.31
d.	1.41

Question 9

DCL = DOL x DFL

= 1.24 x 1.99

If DOL is 1.24 and DFL is 1.99, DCL would be:

a.	2.14
b.	2.18
c.	2.31
d.	2.47

Question 10

If degree of combined leverage is 3 and margin of safety is 0.50, then degree of financial leverage is:

a.	6.00
b.	3.00
c.	0.50
d.	1.50

$DOL = \frac{1}{.50} = 2$

$DCL = DOL \times DFL$

$3 = 2 \times DFL$

$DFL = 3/2 = 1.50$

Question 11

The operating leverage may be defined as the firm's ability to use fixed operating cost to magnify the effects of changes in sales on its ______

a.	EBIT
b.	EBT
c.	EAT
d.	EPS

DOL = 2 DOL = 3

Question 12

High FC

Firm with high operating leverage will have:

a.	Higher breakeven point
b.	Lower business risk
c.	Higher margin of safety
d.	All of above

Question 13

An EBIT-EPS indifference analysis chart is used for:

a.	Evaluating the effects of business risk on EPS ×
b.	Examining EPS results for alternative financial plans at varying EBIT levels
c.	Determining the impact of a change in sales on EBIT ×
d.	Showing the changes in EPS quality over time ×

Question 14

The cost of monitoring management is considered to be :

a.	Bankruptcy cost
b.	Transaction cost
c.	Agency cost
d.	Institutional cost

Question 15

In Stage II of traditional approach, which theory is followed?

a.	Net Income Theory
b.	Net Operating Income Theory
c.	Traditional Approach
d.	None of above

Question 16

(9%) Int < k_{o} (15%)

Which theory states that firms prefer to issue debt when they are positive about future earnings?

a.	Net Income Theory
b.	Net Operating Income Theory
c.	Traditional Approach
d.	Pecking Order Theory

Consider the following data :

Bholu Company's EBIT is ₹ 5,00,000. The company has 10%, ₹ 20 lakh debentures. The equity capitalization rate i.e. Ke is $\boxed{16\%.}$

From the above details, answer Q 17 – Q 18.

Question 17

$V_d + V_e$

What's the market value of equity and firm?

a.	18,75,000 and 38,75,000
b.	38,75,000 and 18,75,000
c.	18,75,000 and 20,00,000
d.	20,00,000 and 38,75,000

Question 18

What's the Overall cost of capital?

a.	26.67%
b.	25%
c.	12.90%
d.	None of the above

Consider the following data :

There are two firms P and Q which are identical except P does not use any debt in its capital structure while Q has ₹ 8,00,000, 9% debentures in its capital structure. Both the firms have earnings before interest and tax of ₹ 2,60,000 p.a. and the capitalization rate is 10%. Assuming the corporate tax of 30%.

From the above details, answer Q 19 – Q 20, according to MM Hypothesis.

Question 19

What's the market value of P?

a.	2,40,000
b.	2,60,000
c.	18,20,000
d.	20,60,000

Question 20

What's the market value of Q?

a.	2,40,000
b.	2,60,000
c.	18,20,000
d.	20,60,000

ANSWER: 3-7

⇒ Pattern of Raising the finance

Total Funds Requirement 30L ₹

Debt (30) — 9L ₹
- 3L ₹ @ 11% (Debt 1)
- 6L ₹ @ 14% (Debt 2)

Equity (70) — 21 L ₹
- Retained Earnings — 6L ₹
- New Issue — 15L ₹

(a)

$$\boxed{K_d = \frac{I(1-t)}{NP} \times 100}$$

$$K_{d1} = \frac{11(1-.30)}{100} \times 100 = 7.70\%$$

$$K_{d2} = \frac{14(1-.30)}{100} \times 100 = 9.80\%$$

Statement showing Average cost of debt

Source	Amt.	Weight		Cost (%)		W x C
Debt 1 ✓	3L	.3333	x	7.70	=	2.57
Debt 2 ✓	6L	.6667	x	9.80	=	6.53
	9L					9.10%

(b) (i) Cost of Equity

EPS = 15 ₹

DPS = 15 x 70% = 10.50 ₹ (D_0)

D_1 = 10.50 (1 + .10) = 11.55 ₹

$$K_e = \left[\frac{D_1}{P_0} + g\right] \times 100$$

$$= \left[\frac{11.55}{90} + .10\right] \times 100$$

$$= 22.83\ \%$$

(ii) Cost of Retained Earning

$$\boxed{K_{re} = K_e\ (1 - t_p)\ (1 - B)}$$

$$= 22.83\ (1 - .20)$$

$$= \boxed{18.27\ \%}$$

(C) Statement showing overall weighted average cost

Source	Amount (₹)	Weight	Cost (%)	W × C
• Debt ✓	9 L	0.30	9.10 ✓	2.73
• Equity Share Capital ✓	15 L	0.50	22.83 ✓	11.42
• Retained Earnings ✓	6 L	0.20	18.27 ✓	3.65
	30 L			17.80%

ANSWER: 17 - 18

1. $$V_e = \frac{EBIT - I}{K_e}$$

(20L x 10%)

$$= \frac{500000 - 200000}{16\%}$$

$$= 1875000$$

$$\boxed{V_f = V_d + V_e}$$

$$= 20,00,000 + 1875000$$

$$= 38,75,000$$

2. $$K_o = \frac{EBIT}{V_f} \times 100$$

$$= \frac{500000}{3875000} \times 100$$

$$= 12.90\%$$

ANSWER: 19-20

P	Q
Debt ×	Debt ✓
Unlevered	Levered

(1) $\underbrace{V_{P(U)}} = \dfrac{260000\,(1-.30)}{10\%}$

$= 18,20,000$ ₹

(2) $V_{Q\,(L)} = \underline{1820000} + (800000 \times 30\%)$

$= 1820000 + 240000$

$= \boxed{20,60,000 \text{ ₹}}$

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F.M. - S.M.

SESSION 2

Chapters Covered	
1.	Scope and Objective of Financial Management
2.	Ratio Analysis
3.	Capital Budgeting
4.	Dividend Decisions

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Question 1

While investing the funds, the objective is to__________

a.	minimise cost of capital
b.	maximize return on investment
c.	maximise dividend payment
d.	all of above

Question 2

The 3 stages of the evolution of financial management in correct order are

a.	Traditional, Transitional, Modern
b.	Transitional, Traditional, Modern
c.	Modern, Transitional, Traditional
d.	None of above

Question 3

Which of the following need not be followed by the finance manager for measuring and maximising shareholders' wealth?

a.	Accounting profit analysis
b.	Cash Flow approach
c.	Cost benefit analysis
d.	Application of time value of money

Question 4

Y_1 Y_2 Y_3

Observing changes in the financial variables across the years is:

a.	Vertical analysis X
b.	Horizontal Analysis ✓
c.	Peer-firm Analysis x
d.	Industry Analysis x

NP = 90L x 9% = 8.10L ₹

Sales = $\frac{8.10L}{5\%}$ = 162 L ₹

$\frac{\text{Sales}}{\text{Asset}} = \frac{162L}{90L} = 1.80$

Imp-

Question 5

A company has net profit margin of 5%, total assets of ₹ 90,00,000 and return on assets of 9%. Its total asset turnover ratio would be:

a.	1.6
b.	1.7
c.	1.8
d.	1.9

Consider the following data :

The capital structure of Beta Limited is as follows :

Equity share capital of ₹ 10 each 80000 sh.	8,00,000
9% preference share capital of ₹ 10 each 30000 sh	3,00,000
	11,00,000

Additional information:

Profit (after tax at 35 per cent), ₹ 2,70,000; EAT

Depreciation ₹ 60,000;

10x 20% = 2 ₹

Equity dividend paid 20 per cent; Market price of equity shares ₹ 40.

From the above details, answer Q 6 – Q 10.

Question 6

$\frac{DPS}{MPS} \times 100$ $\frac{2}{40} \times 100 = 5\%$

What is the Dividend yield on the equity shares?

a.	25%
b.	5%
c.	10%
d.	None of the above

Question 7

$\frac{EAT}{P.\ DID} = \frac{270000}{27000} = 10$

What is the Cover for preference dividend?

a.	10 times
b.	9 times
c.	15 times
d.	None of the above

Question 8

$\frac{EAE}{Eq.\ DID} = \frac{270000 - 27000}{80000 \times 2} = \frac{243000}{160000}$

What is the Cover for equity dividend?

a.	1.69 times
b.	1.40 times
c.	1.52 times
d.	None of the above

Question 9

What is Earnings per Share?

$$\frac{EAE}{n} = \frac{243000}{80000} = 3.04 ₹$$

a.	3.04 ₹
b.	.304 ₹
c.	3.38 ₹
d.	None of the above

Question 10

What is P/E ratio?

$$\frac{MPS}{EPS} = \frac{40}{3.04} = 13.16$$

a.	20
b.	18
c.	16
d.	None of the above

Question 11

What should be the optimum Dividend pay-out ratio, when r = 15% & Ke = 12%:

a.	100%
b.	50%
c.	Zero ✓
d.	None of the above

Consider the following data :

Following information are given for a company:

Earnings per share	₹ 10
P/E ratio	12.5
Rate of return on investment r	12%
Market price per share as per Walter's Model P	₹ 130

From the above details, answer Q 12 – Q 15.

$\frac{DPS}{EPS} \times 100$

Question 12

What is the Dividend payout ratio?

a.	92%
b.	9.20%
c.	0.92%
d.	None of the above

r   k

12% > 8%

Question 13

'0'

Find the Market price of share at optimum dividend payout ratio.

a.	10 ₹
b.	18.75 ₹
c.	187.50 ₹
d.	None of the above

P/E = $\frac{1}{K}$ = $\frac{1}{12}$ = .0833 or 8.33 times

Question 14

Find the P/E ratio, at which the dividend policy will have no effect on the price of share.

a.	12.50 times
b.	10 times
c.	8.33 times ✓
d.	None of the above

Question 15

Find the Market price of share at this P/E ratio.

a.	100 ₹
b.	83.33 ₹ ✓
c.	130 ₹
d.	None of the above

Question 16

The re-investment assumption in the case of the IRR technique assumes that:

a.	Cash flows can be re-invested at the projects IRR.
b.	Cash flows can be re-invested at the weighted cost of capital.
c.	Cash flows can be re-invested at the marginal cost of capital.
d.	None of the above

Consider the following data :

SS Limited is considering the purchase of a new automatic machine which will carry out some operations which are at present performed by manual labour.

The following details are collected about Machine P :

	Machine P
Cost of Machine (₹)	20,00,000
Estimated working life	5 years
Estimated saving in direct wages p.a. (₹)	+ 7,00,000
Estimated saving in scrap p.a. (₹)	+ 60,000
Estimated additional cost of indirect material p.a. (₹)	− 30,000
Estimated additional cost of indirect labour p.a. (₹)	− 40,000
Estimated additional cost of repairs and maintenance p.a. (₹)	− 45,000

Depreciation will be charged on straight line method. Corporate tax rate is 30 percent and expected rate of return may be 12 percent.

$\frac{20L - 0}{5} = 4L$ ₹ p.a.

From the above details, answer Q 17 - Q 20.

Question 17

What is the annual cash flow?

a.	245000 ₹
b.	171500 ₹
c.	571500 ₹
d.	None of the above

Question 18

$\frac{20L}{5.715L} =$

What is the Pay-back Period?

a.	3 Years
b.	3 Years 6 Months
c.	5 Years
d.	None of the above

Question 19

What is the ARR of project?

a.	8.58%
b.	40%
c.	17.15% ✓
d.	None of the above

Question 20

$\frac{\Sigma PVCI}{\Sigma PVCO} = \frac{\quad}{20L}$

What is the Profitability Index?

a.	1.03
b.	1.08
c.	1.12
d.	None of the above

ANSWER: 6-10

Div Yield $= \frac{DPS}{MPS} \times 100$

★ DPS = 10 ₹ × 20% = 2 ₹

$= \frac{2}{40} \times 100$

$= 5\%$

Cover for Pref. Div $= \frac{EAT}{Pref\ Div}$

$= \frac{270000}{27000}$ ← (300000 × 9%)

= 10 times

Cover for Eq. Div $= \frac{EAE}{Eq.\ Div}$

$= \frac{270000 - 27000 \text{ i.e. } 243000}{800000 \times 20\% \text{ i.e. } 160000}$

= 1.52 times

Earnings per share $= \frac{EAE}{n}$

$= \frac{243000}{80000}$ → 800000 / 10

$= 3.0375 \approx 3.04$ ₹

Price Earning Ratio $= \frac{MPS}{EPS}$

$= \frac{40}{3.04} = 13.16$

ANSWER : 12-15

$E = 10$ ₹ ✓

$r = 12\%$ ✓

$P/E = 12.5$ ✓

$K_e = \frac{EPS}{MPS} \rightarrow \frac{1}{P/E}$

$K_e = \frac{1}{P/E}$

$= \frac{1}{12.5} = .08$ i.e 8%

(1.)

$$\boxed{P = \frac{D + (E - D) \times \frac{r}{K_e}}{K_e}}$$

$$130 = \frac{D + (10 - D) \times \frac{.12}{.08}}{.08}$$

$D + 15 - 1.5D = 130 \times .08$

$-0.5D = 10.4 - 15$

$\cancel{-}0.5D = \cancel{-}4.6$

$D = \frac{4.6}{0.5}$

$D = 9.20$ ₹

D/P Payout Ratio $= \frac{D}{E} \times 100$

$= \frac{9.20}{10} \times 100$

$= 92\%$

(2.) As $r > k$, so optimum D/D payout ratio is NIL

$$P = \frac{0 + (10 - 0) \times \frac{.12}{.08}}{.08}$$

$$P = \frac{15}{.08}$$

$$P = 187.50 \text{ ₹}$$

(3.) D/D policy doesn't affect the value of share when $r = k$

As $r = 12\%$

so if $k = 12\%$, then d/d won't affect MP.

$$P/E \text{ Ratio} = \frac{1}{k_e} = \frac{1}{12\%}$$

$$= 8.33 \text{ times}$$

so, at P/E ratio of 8.33, D/D policy will have no effect on the price of share.

(4.) At P/E ratio of 8.33, $k = 12\%$

$$P = \frac{9.20 + (10 - 9.20) \times \frac{.12}{.12}}{.12}$$

$$= \frac{9.20 + .80}{.12}$$

$$= 83.33 \text{ ₹}$$

ANSWER: 17-20

(A) Computation of PAT and Cash Inflows

Particulars	Amt. (₹)
Estimated saving in Direct wages p.a	7,00,000
+ Estimated saving in Scrap p.a.	60,000
− Est. Add cost of Indirect Mat p.a.	(30,000)
− Est. Add cost of Indirect lab p.a	(40,000)
− Est. Add cost of Rep. & Main. p.a	(45,000)
= EBDT	645000
− Dep. (20,00,000 / 5)	(4,00,000)
= EBT	245000
− Tax @ 30%	(73500)
= EAT	171500
+ Dep.	400000
= Cash I/f	571500

(1.) Pay back Period $= \dfrac{\text{Cost of Project}}{\text{Annual Cash I/f}}$

$= \dfrac{20,00,000}{571500}$

= 3 Years 6 Months

(2.) ARR $= \dfrac{\text{Avg. PAT}}{\text{Avg Investment}} \times 100$

$$\text{Avg. Inv.} = \frac{20L + 0}{2} = 10L \ ₹$$

$$ARR = \frac{171500}{10,00,000} \times 100 = 17.15\%$$

(3) $$PI = \frac{\Sigma PVCI}{\Sigma PVCO}$$

$$= \frac{571500 \times AF(12\%, 5)}{20,00,000}$$

$$= \frac{571500 \times 3.605}{20,00,000}$$

$$= \frac{20,60,258}{20,00,000}$$

$$= 1.03$$

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F.M. - S.M. | **SESSION 3**

Chapters Covered

1.	Sources of Finance
2.	Estimation of Working Capital
3.	Debtor's Management
4.	Cash Management
5.	Working Capital Finance

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Question 1

?

__________means raising money for an individual or organisation from a group of people to fund a project, typically via internet.

a.	Crowdfunding ✓
b.	ADRs ×
c.	GDRs ×
d.	Euro Bonds ×

Question 2

ECBs

External Commercial Borrowings can be accessed through ....

a.	only automatic route
b.	only approval route
c.	both automatic and approval route
d.	neither automatic nor approval route

6 Yr. 10 Yrs.

Issued

Question 3

ω.

This bond gives the issuer the right to redeem the bond before maturity at a predetermined price

a.	Callable Bond
b.	Puttable Bond
c.	FCCB
d.	None of above

Question 4

Samurai Bonds are denominated in which currency

a.	Indian Rupee
b.	Japanese Yen (JPY)
c.	US Dollar
d.	Euros

Question 5

In finance lease, Life of contract approximates the __________of the asset.

a.	economic life
b.	residual life
c.	total life
d.	None of above

Consider the following data :

The following information is provided by the DPS Limited for the year ending 31st March, 2013.

Raw material storage period	55 days
Work-in-progress conversion period	18 days
Finished Goods storage period	22 days
Debt collection period	45 days
Creditors' payment period	60 days
Annual Operating cost (Including depreciation of ₹ 2,10,000)	₹ 21,00,000

[1 year = 360 days]

18.9L ₹

From the above details, answer Q 6 – Q 9.

Question 6

What is the Operating Cycle Period?

a.	140 days
b.	80 days
c.	100 days
d.	None of the above

80D → 1 OC

360 D → $\frac{1}{80} \times 360$

= 4.5

Question 7

What are the Number of Operating Cycle in a year?

a.	3.6
b.	4.5
c.	6
d.	None of the above

Question 8

What is the amount of working capital required for the company on a cash cost basis?

a.	420000 ₹
b.	466667 ₹
c.	500000 ₹
d.	None of the above

Question 9

The company is a market leader in its product, there is virtually no competitor in the market. Based on a market research, it is planning to discontinue sales on credit and deliver products based on pre-payments. Thereby, it can reduce its working capital requirement substantially. What would be the reduction in working capital requirement due to such decision?

a.	183673 ₹	420000 − $\boxed{}$ =
b.	213327 ₹	Old New
c.	236327 ₹	
d.	None of the above	

A ↑ M $\boxed{C}$ ↑ CA

S 15, P 15 × 6, H&S 30 ↑

Sunsilk ↑ 50, Pantene ↑ 50, H&S ↑ 50 } 150

Question 10

Investment in working capital is kept at minimal investment in current assets in which approach

a.	Aggressive
b.	Conservative
c.	Moderate
d.	All of above

Question 11

It is generally financed by long term sources of finance.

a.	Permanent Working Capital
b.	Temporary Working Capital
c.	Total Working Capital
d.	All of above

Question 12

Following is not a spontaneous source of finance

a.	Trade Credit
b.	Bills Payable
c.	Bank loan
d.	Accrued Expenses

Question 13

As per Keynes, cash is required for

a.	Transaction needs
b.	Speculative needs
c.	Precautionary needs
d.	All of above

Question 14

VK Co. Ltd. has total cash disbursement amounting ₹ 22,50,000 in the year 2017 and maintains a separate account for cash disbursements. Company has an administrative and transaction cost on transferring cash to disbursement account ₹ 15 per transfer. The yield rate on marketable securities is 12% per annum. You are required to determine optimum cash balance according to William J Baumol Model.

a.	23717 ₹
b.	1500 ₹
c.	2372 ₹
d.	None of the above

1/15 $\boxed{\text{net 30}}$

Question 15

The term 'net 50' implies that the customer will make payment:

a.	Exactly on 50th day
b.	Before 50th day
c.	Not later than 50th day
d.	None of the above

Question 16

This system uses human operators and a computer-based system to allow customers to make payment over phone.

a.	Direct Debit
b.	IVR
c.	NEFT
d.	RTGS

Consider the following data :

$\boxed{320\ L}$ p.a. $\times \frac{90}{360} =$

A Ltd. has total sales of ₹ 3.2 crores and its average collection period is 90 days. The past experience indicates that bad-debt losses are 1.5% on sales. The expenditure incurred by the firm in administering its receivable collection efforts are ₹ 5,00,000. A factor is prepared to buy the firm's receivables by charging 2% commission. The factor will pay advance on receivables to the firm at an interest rate of 18% p.a. after withholding 10% as reserve.

From the above details, answer Q 17 – Q 20.

Question 17

What is the net amount given by factor in advance?

a.	67,23,200 ₹
b.	70,40,000 ₹
c.	72,00,000 ₹
d.	None of the above

Question 18

What are the savings due to factor?

a.	4,80,000 ₹
b.	5,00,000 ₹
c.	9,80,000 ₹
d.	None of the above

Question 19

What are the costs due to factor?

a.	6,40,000 ₹
b.	12,67,200 ₹
c.	19,07,200 ₹
d.	None of the above

Question 20

What is the effective cost of factor?

a.	15,07,200 ₹
b.	9,27,200 ₹
c.	14,07,200 ₹
d.	None of the above

ANSWER: 6-9

a. operating cycle period $= 55 + 18 + 22 + 45 - 60$

$= 80$ Days

b. No. of op. cycles $= \frac{360 \text{ Days}}{80 \text{ Days}}$

$= 4.5$

c. Amt. of WC reqd. $= \frac{1890000}{4.5}$ (21,00,000 − 2,10,000)

$= 420000$ ₹

d. (1.) op. cycle period $= \underbrace{55 + 18 + 22 - 60}$

$= 35$ Days

(2.) No. of op. cycles $= \frac{360}{35}$

$= 10.29$

(3) Amt. of WC reqd. $= \frac{1890000}{10.29} = \boxed{183673 \text{ ₹}}$

(4) Reduction in WC $= 420000 - 183673$

$= 2,36,327$ ₹

ANSWER: 14

A = 22,50,000 ₹

T = 15 ₹

C = 12%

$$\text{Optimum cash balance} = \sqrt{\frac{2 \times 2250000 \times 15}{12\%}}$$

$$= 23,717 \text{ ₹}$$

ANSWER: 17 - 20

(A) Net Amt Given by Factor in Advance

Particulars	Computation	Amt.
Avg. Dr's	320L × 90/360	80L
− Commission	80L × 2%	(1.60L)
− Reserve	80L × 10%	(8L)
= Eligible Advance		70.40L
− Int. on Adv.	70.40L × 18% × 90/360	(3.168L)
		67.232L

(B) Saving Due to Factor

S.No.	Particulars	Computation	Amt. (₹)
1.	Bad debts	320L × 1.5%	4.80L
2.	Adm. cost	−	5L
			9.80L

(C) Cost Due to Factor

S.No.	Particulars	Computation	Amt.
1.	Commission	320L × 2%	6.40L
2.	Int. on Advance	70.40L × 18%	12.672L
			19.072L

(D) Effective Cost of Factoring

= 19.072 − 9.80

= 9.272L

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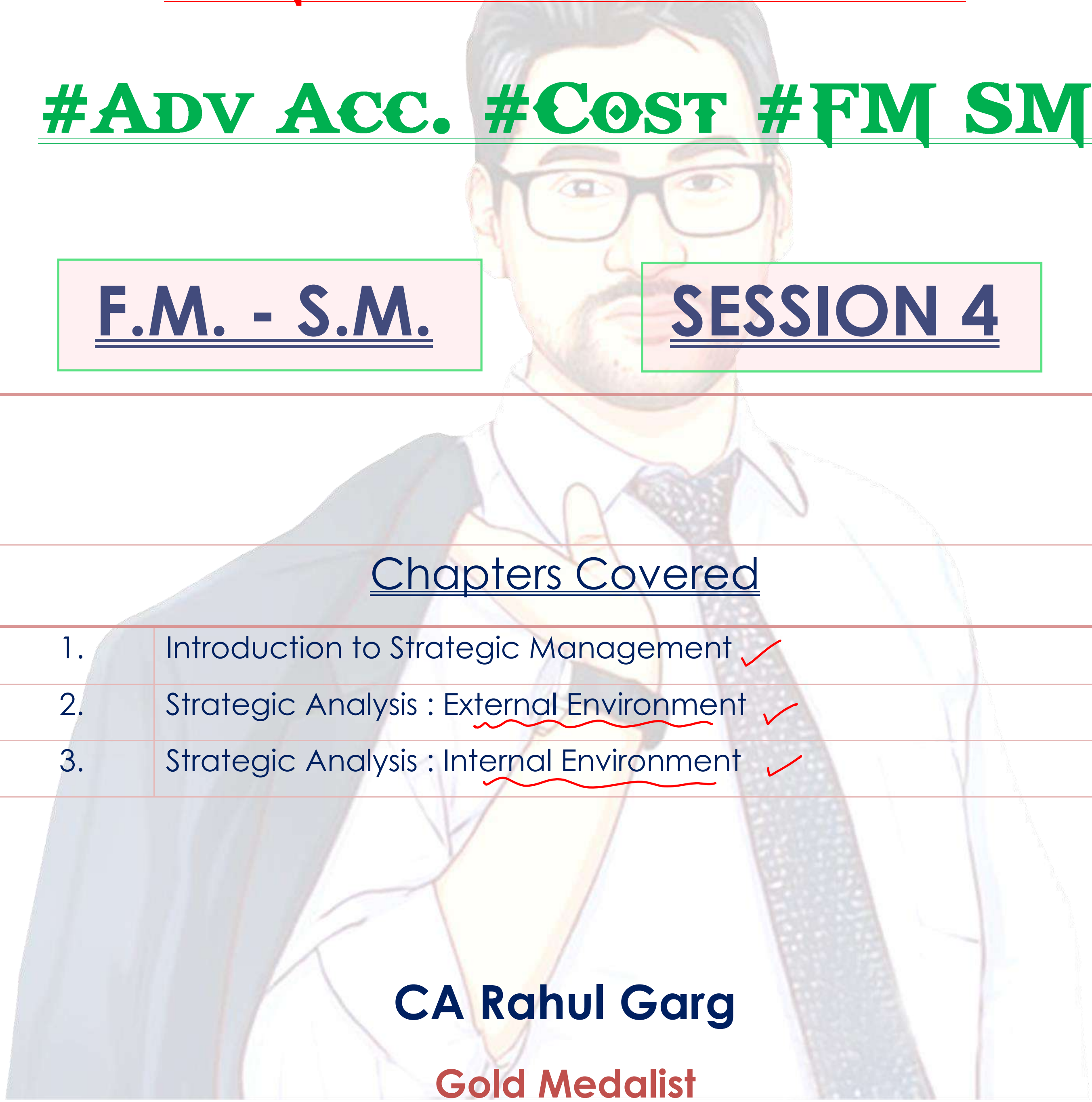
#ADV ACC. #COST #FM SM



F.M. - S.M.

SESSION 4

Chapters Covered	
1.	Introduction to Strategic Management
2.	Strategic Analysis : External Environment
3.	Strategic Analysis : Internal Environment

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Question 1

_____implies the blueprint of the company's future position.

a.	Vision
b.	Mission
c.	Intent
d.	Goal

Question 2

_____________ are responsible for the specific business functions or operations.

a.	Corporate-level managers
b.	Business-level managers
c.	Functional-level managers
d.	Only (a) or (b)

Question 3

Which of the following is correct?

a.	Strategy is always pragmatic and not flexible
b.	Strategy is not always perfect, flawless and optimal
c.	Strategy is always perfect, flawless and optimal
d.	Strategy is always flexible but not pragmatic

Question 4

The term PESTLE analysis is used to describe a framework for analyzing :

a.	Macro Environment
b.	Micro Environment
c.	Both Macro and Micro Environment
d.	None of above

Question 5

What is not one of Michael Porter's five competitive forces?

a.	New entrants
b.	Rivalry among existing firms
c.	Bargaining power of unions
d.	Bargaining power of suppliers

Question 6

It is the behaviour and the belief system of that population

a.	Demographic environment
b.	Socio-cultural environment
c.	Economic environment ×
d.	Technological environment ×

Question 7

Following is not a characteristic of a global business?

a.	Conglomerate of multiple units
b.	Common pool of resources
c.	Common currency for transactions
d.	Common strategy

Question 8

PLC is _____shaped curve

a.	S
b.	T
c.	U
d.	C

Question 9

Value chain analysis is a method of examining each ________ in value chain of a business in order to identify areas for improvements.

a.	Activity
b.	Product
c.	Division
d.	All of above

Supplier → Store R, S, D → Factory I/P

Question 10

__________ are the activities concerned with receiving, storing and distributing the inputs to the product.

a.	Inbound logistics
b.	Outbound logistics
c.	Operations
d.	Marketing and sales

Question 11

A __________ is a person or business that buys products or services from the organisation.

a.	Consumer
b.	Customer
c.	Producer
d.	Seller

Coca Cola Pepsi Thumbs up

Question 12

Key success factors vary from _________ to _________

a.	Industry
b.	Firm
c.	Consumer
d.	Supplier

Question 13

The goal of SWOT analysis is to _________ the organization's opportunities and strengths while _________ its threats and _________ its weaknesses.

a.	avoid; neutralizing; correcting
b.	exploit; neutralizing; correcting
c.	avoid; capitalizing; neutralizing
d.	exploit; avoiding; ignoring

Question 14

'Strategic group mapping' helps in-

a.	Identifying the strongest rival companies
b.	Identifying weakest rival companies
c.	Identifying weakest and strongest rival companies
d.	None of the above

Question 15

A firm successfully implementing a differentiation strategy would expect:

a.	Customers to be sensitive to price increases.
b.	To charge premium prices.
c.	Customers to perceive the product as standard.
d.	To automatically have high levels of power over suppliers.

Question 16

Key Player Stakeholder in Mendelow's Matrix are ______ power, _____ interested people

a.	High, highly
b.	High, less
c.	Low, highly
d.	Low, less

Question 17

This type of marketing includes additional customer services and benefits that a product can offer besides the core and actual product that is being offered.

a.	Social Marketing ✗
b.	Augmented Marketing ✓
c.	Direct Marketing ✗
d.	Relationship Marketing ✗

Question 18

Three main channels of distribution don't include

a.	Sales Channel
b.	Product Channel
c.	Customer Channel
d.	Service Channel

Question 19

It is a set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition.

a.	Core Competency
b.	Competitive Advantage
c.	Cost Leadership
d.	None of above

Question 20

Firms that compete based on ______ and target ________ market follow a focused cost leadership strategy.

a.	price, narrow
b.	uniqueness, narrow
c.	price, broad
d.	uniqueness, broad

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F.M. - S.M. SESSION 5

Chapters Covered	
1.	Strategic Choices
2.	Strategy Implementation and Evaluation

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Question 1

Which strategy is implemented after the failure of turnaround strategy?

a.	Expansion strategy
b.	Diversification strategy
c.	Divestment strategy
d.	Growth strategy

Question 2

Stability strategy is a ____________ strategy.

a.	SBU level
b.	Corporate level
c.	Business level
d.	Functional level

Supp

Question 3

If suppliers are unreliable or too costly, which of these strategies may be appropriate?

a.	Horizontal integration
b.	Backward integration
c.	Market penetration
d.	Forward integration

Question 4

A cement manufacturer diversifies into the manufacture of steel and rubber products. It will fall under which category?

a.	Conglomerate Diversification
b.	Forward Integration
c.	Backward Integration
d.	Concentric Diversification

Question 5

Which one is not covered under External Growth Strategies?

a.	Merger
b.	Acquisition
c.	Intensification
d.	Strategic Alliance

Question 6

In which strategy, the business focuses on selling existing products into existing markets?

a.	Market Penetration
b.	Market Development
c.	Product Development
d.	Diversification

Question 7

ADL matrix is based on ________

a.	Company life cycle
b.	Consumer life cycle
c.	Product life cycle
d.	None of above

Question 8

___________ are low-growth, high market share businesses or products.

a.	Stars
b.	Cash Cows
c.	Question Marks
d.	Dogs

Green →
Amber →
Red →

Question 9

The strategic planning approach in this model has been inspired from traffic control lights.

a.	ADL
b.	BCG
c.	General Electric
d.	Ansoff's Product Market Growth

Question 10

Under Stop Light Model, if a product falls in the ________ section, the business is at advantageous position.

a.	Green
b.	Yellow
c.	Blue
d.	Red

Question 11

________________leadership style may be appropriate in turbulent environment.

a.	Transactional
b.	Transformational
c.	Autocratic
d.	None of these

⇒ Top
Middle
⇒ Bottom

Question 12

An organizational structure with constricted middle level is:

a.	Divisional structure
b.	Network structure
c.	Hour Glass structure
d.	Matrix structure

Question 13

1 2

____________ deal with the impact of strategy formulation on strategy implementation.

a.	Forward linkages
b.	Backward linkages
c.	Horizontal linkages x
d.	Vertical linkages x

Question 14

_____________ is a process of organizational change that enables an organization to use technology to create new value for stakeholders.

a.	Digital transformation
b.	Electronic transformation x
c.	Analogue transformation x
d.	None of above x

Question 15

____________ is an organizational form in which the owner-manager makes all major decisions directly and monitors all activities, while the company's staff merely serves as an executor.

a.	Simple structure
b.	Functional structure x
c.	Matrix Structure x
d.	Divisional Structure x

Question 16

The thrust of ________ is on individual tasks or transactions as against total or more aggregative management functions.

a.	Operational control
b.	Management Control
c.	Strategic Control
d.	Premise Control

Question 17

______________is concerned with translating a strategic decision into action.

a.	Strategy formulation
b.	Organisational analysis
c.	Strategy implementation
d.	Environmental scanning

Question 18

_________ concept helps a multi-business corporation in scientifically grouping its businesses into a few distinct business units.

a.	SBU
b.	Divisional
c.	Functional
d.	Matrix

Question 19

4 3

Which model talks about the Soft and hard elements?

a.	McKinsey 5S Model
b.	McKinsey 6S Model
c.	McKinsey 7S Model
d.	McKinsey 8S Model

Question 20

Compliance, Identification and Internalization are the three processes involved in:

a.	Refreezing
b.	Defreezing
c.	Changing behavior patterns
d.	Breaking down old attitudes