PART – I

SECTION – A

Case Scenario – I :

XYZ Ltd. wants to establish a shoe manufacturing unit. To setup this unit, it needs a loan. XYZ Ltd. approaches a commercial bank for working capital loan.

Bank has asked the company to present the proposal for such loan. To prepare such proposal, the company has appointed you and provided some information about the plan.

It wants to maintain margin of safety of 10% for contingencies. The company want to keep cash balance of ₹ 90,000.

The product will be sold at gross profit margin of 25% on COGS. Depreciation will be part of cost of production.

Stock of raw material will be held at 1.5 months of its consumption, while finished goods inventory will be maintained at one month's requirement. Finished goods will be valued at manufacturing cost.

The company will sell shoes in domestic as well as in foreign market. Total estimated annual sales will be ₹ 30,00,000. 20% of the sales are foreign sales and there will be a delay of 1/2 month to realise the sales proceed from foreign debtors. All domestic sales will be on credit and allowed a credit period of 2 months.

Raw material consumed will be 25% of estimated sales and the company will get credit period of 2 months of consumption from its supplier of raw material. Wage expenses will be 20% of sales and will be paid in 1/2 month's lag.

Outstanding cash manufacturing overhead expenses at the end of the year will be ₹ 60,000; it will be paid in one month arrear. Estimated total administrative cost (to be paid after one month) will be ₹ 1,80,000. Expected annual sales promotion expenses are ₹ 90,000, which will be paid quarterly in advance. The company want to submit the proposal to bank on cash cost basis.

You are required to answer the following question **1** to **5** :

1. What will be the total estimated current assets on cash cost basis ? **2**

   (A) ₹ 8,31,250

   (B) ₹ 7,18,750

   (C) ₹ 7,25,250

   (D) ₹ 7,10,250

90,000
+ 93,750
1,87,000
3,00,000
56,250

Cash 90,000
RM. - 15 days 30,00,000 × 25% / 12
FG :
Drs. - Dom 30,00,000 × 75% × 1 / 12
Int
30,00,000 × 75% × 80% × 2 / 12
+ 30,00,000 × 75% × 20% × 1.5 / 12

2. What will be the total estimated current liabilities ? **2**

   (A) ₹ 2,52,500

   (B) ₹ 1,90,000

   (C) ₹ 2,17,500

   (D) ₹ 2,25,000

1,20,000
60000
+ 90,000
1900

3. What will be the estimated working capital to be submitted by you in the proposal ? **2**

   (A) ₹ 5,33,775

   (B) ₹ 4,36,725

   (C) ₹ 5,50,275

   (D) ₹ 4,50,225

4. What will be the total manufacturing cost and total cost of sales on cash cost basis ? 2

(A) ₹ 20,70,000, ₹ 23,40,000

(B) ₹ 24,00,000, ₹ 30,00,000

(C) ₹ 22,50,000, ₹ 23,40,000

(D) ₹ 16,80,000, ₹ 24,00,000

5. What will be the total estimated finished goods inventory and total debtors on cash cost basis ? 2

(A) ₹ 2,00,000, ₹ 4,25,000

(B) ₹ 1,72,500, ₹ 3,40,000

(C) ₹ 1,72,500, ₹ 3,31,500

(D) ₹ 1,87,500, ₹ 3,31,500

6. Q Ltd. is planning to pay dividend of ₹ 2 per share in next year. Growth rate of company is 8% p.a. Current market price per share is ₹ 51. Flotation cost is ₹ 1 per share.

What will be cost of equity ? 1

(A) 12.23%

(B) 11.92%

(C) 12.00%

(D) 12.32%

7. A company has net worth of ₹ 5,00,000. Its debt to equity ratio is 2. Interest on debt is 10%. The company earns an operating profit of ₹ 4,00,000. Tax rate is 30%.

What will be the Financial leverage of the company ? 2

(A) 1.11

(B) 1.33

(C) 1.43

(D) 1.90

8. T Ltd. is looking for a capital project in order to replace its existing old machine. It got two proposals to consider ; details of which are given below : 2

	Proposal X	Proposal Y
Initial investment	₹ 6,50,000	₹ 7,80,000
Estimated useful life	5 Years	3 Years
Annual cash inflows	₹ 1,90,000	₹ 3,50,000
Cost of capital	10%	10%

Year	1	2	3	4	5
$PVIF_{0.10, t}$	0.909	0.826	0.751	0.683	0.621
$PVIFA_{0.10, t}$	0.909	1.736	2.487	3.170	3.791

What will be Equivalent Annual NPV for Proposal X and Proposal Y ?

(A) ₹ 70,290.00, ₹ 90,450.00

(B) ₹ 18,541.28, ₹ 36,369.12

(C) ₹ 1,90,000.00, ₹ 3,50,000.00

(D) ₹ 77,326.73, ₹ 99,504.95

SECTION – B

Case Scenario – II :

A team of professionals having expertise in the areas of Artificial Intelligence (AI), Block Chain (BC), Cloud Computing (CC) and Data Mining (DM) formed a company in the name and style of M/s. ABCD Ltd. (the company).

The aim of the company is to position itself as the best service provider in its area of operations with best user experience to its customer. Concentrating on its resources and capabilities, the company wants to target 8% year-on-year growth in revenue and 9% year-on-year growth in net profit in its business plan.

In order to identify right approach to select and implement the strategy, the company has decided to conduct in depth strategic analysis on strategic groups, objectives, performance and cost structure of companies having similar operations in the market.

In the month of March 2025, the Board of Directors of the company thought it proper to be in the business of manufacturing Robots and providing services relating thereto. The company knows that there is no linkage between existing and proposed business with specific reference to product or market or technology.

As per proposed arrangement, majority of the components of Robots will be imported from M/s. Faisla Inc. (FI), an established player in this area. The Robots will be assembled in India specifically for use at homes and in restaurants.

The company will endeavor to provide the above product while using cutting-edge technology with customized features and best of the services. The core intent will be to elevate the same to unprecedented level. In this context, the company would like to offer additional facilities like : better customer interface, online repair service and services on site to its customer.

In addition, company is of a considered view that meticulous analysis of its stakeholders will facilitate to build and maintain strong relationship with each group. As an accepted practice, greatest efforts are in place to satisfy Mr. X, the Chief Executive Officer of the company by taking his advice and keeping him informed with all related information and developments on a regular basis.

Based on above case scenario, choose the correct option for MCQ number **9** to **13** :

9. Entering into business of manufacturing of Robots can best be described as : **2**

   (A) Backward vertical integration

   (B) Co-generic diversification

   (C) Conglomerate diversification

   (D) Divestment

10. Elevating customer service to unprecedented level by providing better customer interface, online repair service and service on site is known as : **2**

    (A) Augmented marketing

    (B) Enlightened marketing

    (C) Social marketing

    (D) Synchro marketing

11. While preparing a Power Interest matrix of stakeholders, the position of Mr. X will be categorized in which one of the following quadrants ? **2**

(A) Key player

(B) Keep satisfied

(C) Keep informed

(D) Low priority

12. In order to position itself as the best service provider, stating year-on-year growth, indicates which one of the components of the strategic intent ? **2**

(A) Goals

(B) Objectives

(C) Mission

(D) Vision

13. Analysis of strategic groups and cost structure can be termed as, which type of strategic analysis ? **2**

(A) Competitor analysis

(B) Determinants analysis

(C) Environmental analysis

(D) Market analysis

14. M/s. SPG is a multi-product multi-business enterprise. It has four prominent divisions. Each division functions as an independent product center with its own set of activities managed by respective division head, which is responsible for its own performance and profitability. This organizational structure is known as : 1

(A) Divisional structure

(B) Multi divisional structure

(C) Strategic Business Unit

(D) Network structure

15. In response to a scheme of subsidy by the state government, a company started manufacturing E-Vehicles. Some of the customers were not at ease with battery life and time consumed in recharging the battery. Some of the customers were apprehensive about frequent incidents of battery catching fire. All these resulted in half-hearted response from the customers in evolving EV market.

Here, the customers' response is indicating towards which one of the limitations of strategic management ? 2

(A) Environment is highly complex and turbulent.

(B) Strategic management is a time-consuming process.

(C) Strategic management is a costly process.

(D) It is difficult to estimate the competitive response to the firm's strategy.

16. M/s. A is providing mobile phones and Wi-Fi services in the country. M/s. B and M/s. C are other similar service providers already in operation. In competitive landscape, M/s. B and M/s. C decided to merge with each other. Such merger was an unexpected development in the industry. M/s. A decided to cope-up with such eventuality by intense review of its strategy and to form a core group to handle the situation.

The situation where intense review of strategy is needed due to merger between M/s. B and M/s. C, indicates towards which type of strategic control for M/s. A ? 2

(A) Premise control

(B) Implementation control

(C) Strategic surveillance

(D) Special alert control