



The Institute of Chartered Accountants of India

Code: IN6AF412263
Subject : 06A Financial Management

Total Marks: 35
Marks Obtained : 32

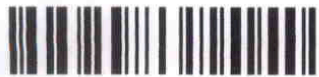
Subject: Financial Management
Number of Answer Books used : Main + additional sheets

Date Seal 15 SEP 2025

For use by ICAI only



412263



A

X



Paper Code

V
K
A
1

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

MCQ Booklet Serial No.

8941230

Paper No.

6

Level of Exam → Intermediate Intermediate

MCQ Answers for section A and B

0 0 0 0 0 0
1 1 1 1 1 1
2 2 2 2 2 2
3 3 3 3 3 3
4 4 4 4 4 4
5 5 5 5 5 5
6 6 6 6 6 6
7 7 7 7 7 7
8 8 8 8 8 8
9 9 9 9 9 9

3
●

1	A ● C D	11	A ● C D	21	A B C D
2	A ● C D	12	● B C D	22	A B C D
3	A ● C D	13	● B C D	23	A B C D
4	A B C ●	14	● B C D	24	A B C D
5	A B ● D	15	A ● C D	25	A B C D
6	● B C D	16	A ● C D	26	A B C D
7	● B C D	17	A B C D	27	A B C D
8	A B ● D	18	A B C D	28	A B C D
9	A B C ●	19	A B C D	29	A B C D
10	A B ● D	20	A B C D	30	A B C D



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... page or in a consecutive set of pages, before the next question

... in the answer booklet with the marking (A) on the cover page and marking (B) on the cover page. In case a candidate writes the answers in ... valued and no correspondence in this regard will be entertained.

... space provided for the purpose or writing distinguishing mark, symbols like "OM", ... adoption of "unfair means"

... to the invigilator take care to score out (X) blank pages, if any, that you might have left.

INSTRUCTIONS TO THE CANDIDATE FOR FILLING THE MCQ ANSWER FIELDS

... pencil to Darken the appropriate Circle.

... taken the correct MCQ Booklet Serial No. as printed on your question booklet which will be taken as final for evaluation.

... candidate fills in this information wrongly, Institute will not take any responsibility for rectifying the mistake.

... darken the complete circle.

... 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.

6. Rough work must NOT be done on the OMR cover page.

7. Mark your answer only in the appropriate space against the number corresponding to the question.

How to mark answers

CORRECT METHOD: (A) ● (C) (D) ●

WRONG METHOD: (A) ✗ (C) ✗ (D) ✗

Q. No.	To be ticked <input checked="" type="checkbox"/> by the candidate against the Questions answered (Descriptive Type)		
1	<input type="checkbox"/>	8	<input type="checkbox"/>
2	<input type="checkbox"/>	9	<input type="checkbox"/>
3	<input type="checkbox"/>	10	<input type="checkbox"/>
4	<input type="checkbox"/>	11	<input type="checkbox"/>
5	<input type="checkbox"/>	12	<input type="checkbox"/>
6	<input type="checkbox"/>	13	<input type="checkbox"/>
7	<input type="checkbox"/>	14	<input type="checkbox"/>
Total		Total	



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03

Q.1 (a)

(i) cost of equity (k_e) = $\frac{D_1}{P_0} \times 100 + g$

D_1 = Dividend Per share
 P_0 = Current Market Price
 g = growth Rate

$= \frac{2(1.05)}{60-4} \times 100 + 5$

$k_e = \frac{2.1}{56} \times 100 + 5 = 8.75\%$

1aStep1 ✓ 2

(ii) cost of preference share (k_{pf}) = $\frac{D}{IP} \times 100$

D = Dividend Per share
 IP = current Market Price Per share

$= \frac{8}{55} \times 100 = 14.545\%$

1aStep2 ✓ 1



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(iii) Particular	Market Value	Proportion	(In Percentage)	
			Cost %	WACC
Equity share	6,00,00,000	0.686	8.75	6.0025
8% Div. Preference Share	2,75,00,000	0.314	14.545	4.56713
	8,75,00,000	1		10.56967

$$K_0 = 10.5696\%$$

WN1

Market Price of Equity share: $\frac{100,00,000}{10} \times 60$

$$= 6,00,00,000$$

Market Price of Preference share

$$= \frac{500,00,000}{100} \times 55 = 2,75,00,000$$

1aStep3



2

1a



5



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05

Q.1(B)

Income Statement

W.N

Sales	55,00,000
Direct cost	30,00,000
Gross Profit	25,00,000
less operating expense	490,000
operating Profit (EBIT)	20,20,000
(-) Interest @ 10.5%	193,750
(EBT) Earning Before Tax	19,36,250
(-) Tax @ 33%	605,963
Net Profit (PAT)	12,30,287

(i) Profit After tax = 12,30,287 W.N1

(ii) Net Profit Margin = $\frac{\text{Net Profit}}{\text{Sales}} \times 100$

$= \frac{12,30,287}{55,00,000} \times 100 = 22.369\%$



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06

$$(ii) \frac{\text{EBIT (1-Tax)}}{\text{Sales}} \times 100$$

$$= \frac{22,20,000 (1-33\%)}{55,00,000} \times 100$$

$$= 24.61\%$$

$$(iii) \text{Return on Asset} = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100$$

$$= \frac{12,30,287}{50,00,000} \times 100$$

$$= 24.61\% \text{ or } 24.605\%$$

1bStep3 ☒ 0

$$(iv) \text{Asset turnover Ratio}$$

$$= \frac{\text{Sales}}{\text{Total Asset}} \times 100$$

$$= \frac{55,00,000}{50,00,000} = 1.1$$

1bStep4 ☒ 1



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(v) Return on Equity = $\frac{\text{Net Profit}}{\text{Equity shareholder fund}} \times 100$

= $\frac{12,30,287}{32,50,000} \times 100$

= 37.85 %

1bStep5 1

WN Equity shareholder fund

= $50,00,000 \times 65\%$

= 32,50,000

Debt (10.5%) = $50,00,000 \times 35\%$

= 17,50,000

~~Net~~ Interest = $17,50,000 \times 10.5\%$

= 183,750

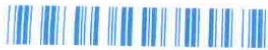
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08

Q.1(c)

1. Calculation of cash outflow

Cost of New Machine 32,00,000
less: Sale value of old Machine (960,000)

1cStep1



1

22,40,000

2. Calculation of incremental Depreciation

Depreciation on old Machine 160,000
 $\left[\frac{16,00,000}{10} \right]$

Depreciation on New Machine 576,000
 $\left[\frac{32,00,000 (-) 320,000}{5} \right]$

Incremental Depreciation 416,000

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09

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3. Calculation of Incremental Revenue

Contribution of old Machine	16,00,000
Contribution of New Machine	18,40,000
	<hr/>
	240,000
Add Further Saving	320,000
	<hr/>
Incremental saving	560,000
less Incremental Depreciation	416,000
Profit ^{Before} After tax	<input checked="" type="checkbox"/> 144,000
less tax @ 33%	(47,520)
	<hr/>
Profit After tax	96,480
Add Depreciation	416,000
Incremental cash flow	<u>512,480</u>



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10

4. Calculation of capital gain on old Machine

Cost of Machine	16,00,000
Depreciation for 5 year: $(160,000 \times 5)$	800,000
Book value	800,000
Less: Sale value	(960,000)
Capital gain	160,000
Tax on capital gain @ 33%	52,800

5. Calculation of NPV

(A) PV of cash ~~inflow~~ outflow: 22,40,000

~~Less~~ PV of cash inflow $(512,480 \times 3.605)$ 18,47,490 ✓

~~Less~~ PV of Salvage Value $(320,000 \times 0.567)$ 181,440

P.V of tax on capital gain $(52,800 \times 0.567)$ (B) 29,938

19,98,992



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~~P.V of cash outflow (A) 22,40,000~~

~~less P.V of cash inflow (B) (19,98,992)~~

P.V of cash inflow (B) 19,98,992 ☒

(-) P.V of cash outflow (A) (22,40,000)

Net Present Value (241,008) ☒

NPV = (241,008)

Since NPV is negative Machine should not be Replaced.

1cStep2 ☒ 2

1c ☒ 3

1 ☒ 12

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12

Q.2(a)

Sales	75,00,000
Less: Variable cost	45,00,000
Contribution @ 40% (75,00,000 X 40%)	30,00,000
Less: Fixed cost	17,50,000
EBIT	12,50,000
Less: Int on 6% Deb	300,000
Int on 8% Loan	160,750
EBT	781,250
(-) Tax @ 30%	(234,375)
Net Earnings available to ESN	546,875

(i) operating leverage: $\frac{\text{Contribution}}{\text{EBIT}}$

$2.4 = \frac{30,00,000}{\text{EBIT}}$



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EBIT = 12,50,000 ✓

2aStep1 ✓ 1

(ii) Fixed cost : contribution (-) EBIT
= 30,00,000 (-) 12,50,000
= 17,50,000 ✓

2aStep2 ✓ 1

(iii) Financial leverage = $\frac{\text{Combine leverage}}{\text{Operating leverage}}$
= $\frac{3.84}{2.4} = 1.6$

→ Financial leverage = $\frac{\text{EBIT}}{\text{EBIT} (-) \text{Interest}} \bigg/ \frac{\text{EBIT}}{\text{EBT}}$

∴ Interest on 6% Deb = 300,000
(50,00,000 × 6%)

∴ Net interest on 8% Bank loan 50% is

1.6 = $\frac{12,50,000}{\text{EBT}}$



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$$EBT = 781,250$$

$$EBT = EBIT (-) \text{Int on 6\% Debenture} (-) \text{Int on loan}$$

$$781,250 = 12,50,000 (-) 300,000 (-) \text{Int on loan}$$

$$\rightarrow \text{Interest on 8\% loan} = 168,750$$

$$\rightarrow \text{Amount of Bank loan} = \frac{\text{Interest}}{\text{Int Rate}}$$

$$= \frac{168,750}{8\%} = 21,09,375$$

2aStep3



2

(iv) Earning Per share :

$$\frac{\text{Net Earning Available to ESN}}{\text{No. of Equity share}}$$

$$\frac{546,875}{12,500} = 43.75$$

2aStep4



2

$$EPS = 43.75$$

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(v) Market Price Per Share = P/E Ratio \times EPS

= 8 \times 43.75

MPS = 350

2aStep5 ✓ 1

2a ✓ 7

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16

Q.2 (B)

(i) Market Price (P) = $\frac{E(1-B)}{K_e - B \times r}$

E = Earning Per share = $\frac{500,000}{50,000} = 710$

K_e = cost of Equity = 8%

r = Rate of Return = 12%

B = Retention Ratio

∴ Let Retention Ratio be 'B'

$159.09 = \frac{10(1-B)}{0.08 - (-) B \times 0.12}$

$159.09 = \frac{10 - 10B}{0.08 - 0.12B}$

$12.7272 (-) 19.0908B = 10 - 10B$

$B = \frac{2.7272}{9.0908}$



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$= 0.3$ [0.3] $\cdot 2.999$

$B = 30\%$ ✓

Dividend per share = $E(1-B)$

$= 10(1-0.3)$

Dividend per share $= 7$ ✓

2bStep1 ✓ 2

(ii) when $r = K_e$, every Dividend payout Ratio is optimum, ✓

∴ Since when $r = K_e$ Dividend Payout Ratio has no effect on Market Price of share

2bStep2 ✓ 1

2b ✓ 3

2 ✓ 10



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18

Q.3(B)

$$\text{cost of Debenture } (K_d) = \frac{I(1-T) + \frac{RV - NP}{n}}{\frac{RV + NP}{2}}$$

$$I = \text{Interest } \textcircled{100 \times 18\%} = \textcircled{18}$$

$$R.V = \text{Redemption Value} = \textcircled{100}$$

$$NP = \text{Net Proceed} = \textcircled{165} \text{ Net NP}$$

$$n = \text{No. of year} = \textcircled{8} \text{ year}$$

$$.1458 = \frac{18(1 - .3) + \frac{100 - \textcircled{165}}{8}}{\frac{100 + \textcircled{165}}{2}}$$



$$.1458 = \frac{12.6 + 100 - 165}{8}$$

$$\frac{12.6}{8} = \frac{12.6 + 100 - 165}{8}$$

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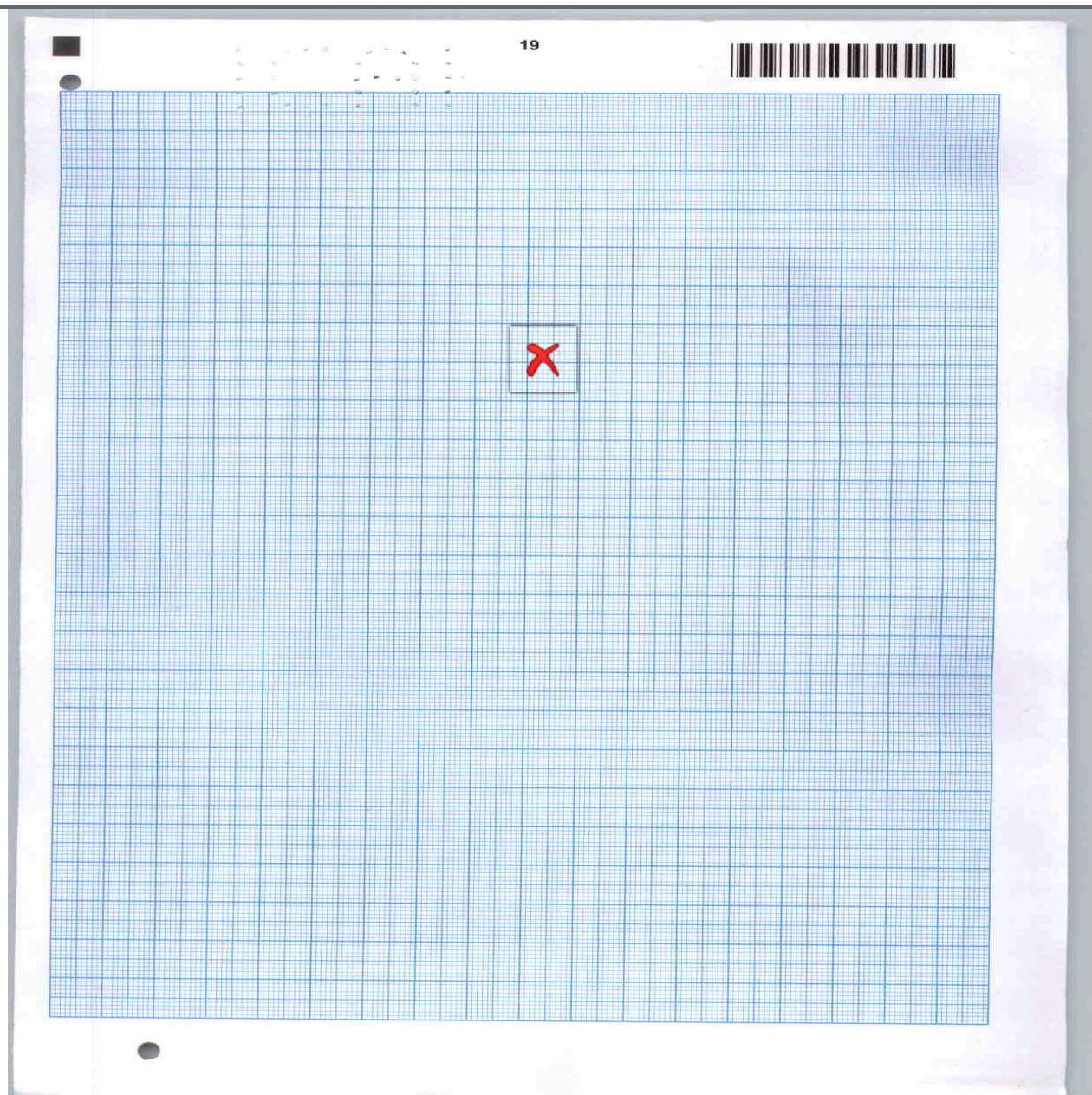
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$1458 = 12.6 + 12.5 (-) \text{ NP} = 125 \text{ NP}$

$12.6 + 12.5 (-) \text{ NP} = 125 \text{ NP}$

$7.29 + 0.729 \text{ NP} = 12.6 + 12.5 (-) \text{ NP}$

$\text{NP} = 90$ ✓

3bStep1 ✓ 2 Issue Price = 90

(ii) $K_e = 10 (-) 30\%$

✗

3bStep2 ✓ 1

3b ✓ 3



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ADDL. BOOK

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ADDITIONAL ANSWER BOOK

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~~$$\frac{.2916}{100 + NP} = \frac{100 \cdot 8 + 100 - NP}{80}$$~~

~~$$2.3328 = 100 + NP (.8 - NP)$$~~

~~$$2.3328 = 80 - 100NP + .8NP - NP^2$$~~

~~$$77.6672 + 99.2NP + NP^2$$~~

~~$$-NP^2 - 99.2NP + 77.6672 = 0$$~~



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3

Q.3(a)

① Alternative sources

	I	II	III
Eqn Debt	13,20,000	11,00,000	980,000
Equity	980,000	11,00,000	13,20,000
	22,00,000	22,00,000	22,00,000
Ratio of Equity			

② Calculation of Interest on Debenture Debt

Alternative - I

800 800,000 X 14%.	1,12,000
200,000 X 16%.	32,000
320,000 X 18%.	57,600
Total	201,600

Alternative II

800,000 X 14%.	1,12,000
200,000 X 16%.	32,000
100,000 X 18%.	18,000
Total	162,000

X



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Alternative III

$$\begin{aligned} 900,000 \times 14\% &= 1,26,000 \\ 90,000 \times 16\% &= 14,400 \\ \text{Total} &= 1,40,400 \end{aligned}$$

(3) Calculation of Number of Equity share

$$\text{Alternative I} = \frac{980,000}{110} = 8909$$

$$\text{Alternative II} = \frac{11,00,000}{110} = 10,000$$

$$\text{Alternative III} = \frac{13,20,000}{120} = 11,000$$

(4) Calculation of EPS

3aStep1



6

	Alternative I	Alternative II	Alternative III
E.B.I	500,000	500,000	500,000
(-) Interest	201,600	162,000	124,800
E.B.T	298,400	338,000	375,200
(-) Tax @ 30%	89,520	101,400	112,560
E.A.T (A)	208,880	236,600	262,640
No. of share (B)	9000	10,000	11,000
EPS $\left[\frac{A}{B} \right]$	23.21	23.66	23.88



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Since EPS is ~~the~~ highest under option I
i.e. 26.11, it should be
selected (Alternative I)

3aStep2 ✓ 1

3a ✓ 7

3 ✓ 10

✓



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Result Overview

Awarded Marks: 32

Max Marks:35

NA Not Attempted

O Optional

M Marked

Q1_Compulsory (Score: 12/15)

Question No	Awarded Marks	Maximum Marks	Status
1	12	15	M
1a	5	5	M
1b	4	5	M
1c	3	5	M

Q2_Q4 (Score: 20/20)

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