Mock Test Paper - Series I: November, 2025

Date of Paper: 28th November, 2025

Time of Paper: 10 A.M. to 1 P.M.

INTERMEDIATE GROUP – II

PAPER – 6A : FINANCIAL MANAGEMENT & STRATEGIC MANAGEMENT

PAPER 6A: FINANCIAL MANAGEMENT

Time Allowed – 3 Hours (Total time for 6A and 6B) **Maximum Marks – 50**

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises Case Scenario based Multiple Choice Questions (MCQs)*
3. *Part II comprises questions which require descriptive type answers.*
4. *Working note should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note. However, in answers to Questions in Division A, working notes are not required.*

PART I – Case Scenario based MCQs (15 Marks)

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

Case Scenario I

ABC Ltd is a growing renewable energy manufacturing company specializing in Parabolic Solar Cookers, which are widely used for rural cooking programs, NGO sustainability projects, and government-sponsored green initiatives. Over the past few years, ABC Ltd has seen a steady rise in demand due to increasing awareness of clean energy solutions and state-level subsidies.

Currently, ABC Ltd fabricates the metal frame, stand, and support structures of the solar cooker at their facility. However, one critical component—the Concentrator Dish (the reflective parabola that focuses sunlight)—is being purchased from an external vendor, PQR Ltd, at a cost of ₹ 2,000 per unit.

Recently, ABC Ltd has faced several operational challenges with the outsourced dish supplier like Supply Delays, Quality Inconsistency, Rising Procurement Costs, large government order requiring strict timelines and quality standards.

Because of these concerns, management is considering backward integration—bringing dish manufacturing in-house to gain greater control over cost, quality, and delivery.

To produce the concentrator dishes internally, management is evaluating the cost structure:

- Raw Material: ₹ 700 per unit
- Labour Cost: ₹ 300 per unit
- Other Variable Costs: ₹ 100 per unit
  Total Variable Cost per unit = ₹ 1,100

To manufacture the dish internally, ABC Ltd must purchase new machinery costing ₹ 25,00,000 with:

- Useful life: 5 years
- Depreciation rate: 20% per year (straight-line)
- Tax rate: 30%
- Discount rate: 10%
- Expected annual production: 1,000 units
- Present value annuity factor for 10% over 5 years: 3.7908

The leadership team wants to understand whether in-house manufacturing is financially viable compared to continuing purchases from PQR Ltd. Based on the above facts you are required to answer the following questions (MCQs 1 to 5):

1. What is present value of outflow incase of concentrator dish purchased from PQR Ltd for 5 years after considering taxes?

   (A) 50,40,325

   (B) 43,52,789

   (C) 31,25.852

   (D) 53,07,120

2. What is present value of outflow after considering taxes if ABC Ltd is planning to manufacture concentrator dish?

   (A) 45,80,296

   (B) 48,50,296

   (C) 46,85,029

   (D) 53,25,841

3. Suppose only 700 units are needed in a particular year. Which conclusion is correct?

(A) The investment is still cash-positive even at 700 units

(B) The investment becomes cash-negative at 700 units

(C) The depreciation cancels out tax benefits at 700 units

(D) ABC should outsource if output falls below 900 units

4. ABC Ltd has found 2 new vendors selling concentrator dish. XYZ Ltd for ₹ 2100/- per unit and UVW Ltd for ₹1900/- per unit. Which option should ABC Ltd choose to minimize the cost?

(A) Manufacture the Concentrator dish inhouse

(B) Purchase from PQR Ltd

(C) Purchase from XYZ Ltd

(D) Purchase from UVW Ltd

5. UVW Ltd is negotiating with ABC Ltd and asking for final price for which they would want to purchase it. What should be price per unit at which ABC Ltd can purchase it from UVW Ltd?

(A) 2,000

(B) 1,965

(C) 1,828

(D) 1,900 **(5 x 2 = 10 Marks)**

6. Consider the following information for Atharv Ltd.:

	₹ in lakhs
EBIT (Earnings before Interest and Tax)	15,750
Earnings before Tax (EBT):	7,000
Fixed Operating costs:	1,575

Calculate percentage change in earnings per share, if sales increase by 5%.

(A) 20%

(B) 19.65%

(C) 18.5%

(D) 12.375% **(2 Marks)**

7. Calculate number of operating cycles in a year from the information given below:

Raw material inventory consumed during the year	₹ 6,00,000
Average stock of raw material	₹ 41,667
Work-in-progress holding period	18 days
Finished Goods storage period	25 days
Average collection period from debtors	45 days
Average credit period availed	30 days
No. of days in a year	360 days

(A) 67

(B) 5.37

(C) 74

(D) 4.34 **(2 Marks)**

8. A company has a financial structure where equity is 60% of its total debt plus equity. Its cost of equity is 10% and gross loan interest is 9%. Corporation tax is paid at 30%. What is the company's weighted average cost of capital (WACC)?

(A) 7.55%

(B) 7.80%

(C) 8.52%

(D) 8.05% **(1 Mark)**

PART II – Descriptive Questions (35 Marks)

*Question No. **1** is compulsory.*

*Attempt any **two** questions out of the remaining **three** questions.*

1. (a) Divine Limited has the following capital structure, which it considers to be optimal:

Capital Structure	Weightage (in percentage)
Debt	25
Preference Shares	15
Equity Shares	60
	100

Divine Limited's expected net income this year is ₹34,285.72, its established dividend payout ratio is 30 per cent, its tax rate is 40 per cent, and investors expect earnings and dividends to grow at a constant rate of 9 per cent in the future. It paid a dividend of ₹ 3.60 per share last year, and its shares currently sell at a price of ₹ 54 per share.

Divine Limited requires additional funds which it can obtain in the following ways:

- Preference Shares: New preference shares with a dividend of ₹ 11 can be sold to the public at a price of ₹95 per share.
- Debt: Debt can be sold at an interest rate of 12 per cent.

You are required to:

(i) DETERMINE the cost of each capital structure component; and

(ii) COMPUTE the weighted average cost of capital (WACC) of Divine Limited.

(5 Marks)

(b) Following information is given for Prashuk Ltd.:

Fixed assets turnover ratio (Based on cost of sales)	8 times
Capital turnover ratio (Based on cost of sales)	2 times
Inventory Turnover	8 times
Receivable turnover	4 times
Payable turnover	6 times
GP Ratio	25%

Gross profit during the year amounts to ₹ 8,00,000. There is no long-term loan or overdraft. Reserve and surplus amount to ₹ 2,00,000. Ending inventory of the year is ₹ 20,000 above the beginning inventory. Based on the above information, DETERMINE the various assets and liabilities of the company. **(5 Marks)**

(c) Perfact Ltd. has 8 lakhs equity shares outstanding at the beginning of the year. The current market price per share is ₹ 120. The Board of Directors of the company is contemplating ₹ 6.4 per share as dividend. The rate of capitalisation, appropriate to the risk-class to which the company belongs, is 9.6%:

(i) Based on M-M Approach, CALCULATE the market price of the share of the company, when the dividend is – (a) declared; and (b) not declared.

(ii) DETERMINE, how many new shares are to be issued by the company, if the company desires to fund an investment budget of ₹ 3.20 crores by the end of the year assuming net income for the year will be ₹ 1.60 crores?

(5 Marks)

2. (a) A newly formed company has applied to the commercial bank for the first time for financing its working capital requirements. The following information is available about the projections for the current year:

Estimated level of activity: 1,04,000 completed units of production plus 4,000 units of work-in-progress. Based on the above activity, estimated cost per unit is:

Raw material	₹ 80 per unit
Direct wages	₹ 30 per unit
Overheads (exclusive of depreciation)	₹ 60 per unit
Total cost	₹ 170 per unit
Selling price	₹ 200 per unit

Raw materials in stock: Average 4 weeks consumption, work-in-progress (assume 50% completion stage in respect of conversion cost) (materials issued at the start of the processing).

Finished goods in stock	8,000 units
Credit allowed by suppliers	Average 4 weeks
Credit allowed to debtors/receivables	Average 8 weeks
Lag in payment of wages	Average $1\frac{1}{2}$ weeks

Cash at banks (for smooth operation) is expected to be ₹ 25,000

Assume that production is carried on evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All sales are on credit basis only.

CALCULATE Net Working Capital. **(8 Marks)**

(b) DIFFERENTIATE between Business risk and Financial risk. **(2 Marks)**

3. (a) Vastupal Limited is currently a levered a company having 15% convertible debt of ₹ 250 lakhs in its capital structure. The current market value of Vastupal Limited stands at ₹ 1500 lakhs with the overall capitalization rate for the common stock holders is at 20% considering financial and non-financial risks.

Owing to the regulatory norms applicable to Vastupal Limited, the company is planning to become an all equity financed company gradually over a period of time. Currently, company plans to convert 70% of debt to equity and the balance after 3 years. It's Earnings before Interest & Taxes (EBIT) are expected to remain constant in future as well. The entire earnings are distributed to the common stock holders and the applicable corporate tax rate is at 20%.

You are required to calculate the impact on the following on account of the change in the capital structure as per Modigliani and Miller (MM) Hypothesis:

(i) The market value of the company and its impact

(ii) It's cost of equity, and its impact

(iii) It's cost of capital and its impact

Also CALCULATE the market value of the totally unlevered company & the cost of equity i.e. after 3 years when the balance 30% convertible debt is also fully converted to equity. **(6 Marks)**

(b) The Capital structure of Magnus Ltd. is as follows:

	(₹)
Equity Share of ₹ 10 each	8,00,000
10% Preference Share of ₹ 100 each	5,00,000
12% Debentures of ₹ 100 each	7,00,000
	20,00,000

Additional Information:

- Profit after tax (Tax Rate 30%) are ₹ 2,80,000
- Operating Expenses (including Depreciation ₹ 96,800) are 1.5 times of EBIT
- Equity Dividend paid is 15%
- Market price of Equity Share is ₹ 23

CALCULATE:

(i) Operating and Financial Leverage

(ii) Cover for preference and equity dividend **(4 Marks)**

4. (a) DIFFERENTIATE between Financial Management and Financial Accounting. **(4 Marks)**

(b) EXPLAIN the methods of venture capital financing. **(4 Marks)**

(c) STATE the Limitations of Walter's Model **(2 Marks)**

OR

(c) DISCUSS financial break-even and EBIT-EPS indifference analysis. **(2 Marks)**

PAPER 6B: STRATEGIC MANAGEMENT

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises case scenario based multiple choice questions (MCQs)*
3. *Part II comprises questions which require descriptive type answers.*

PART I – Case scenario based MCQs (15 Marks)

Question 1. (A) (Compulsory)

(A) Zenith Global Enterprises (ZGE), a diversified conglomerate based in Dubai, operates across five distinct industries: renewable energy, luxury real estate, fashion retail, healthcare and digital services. With a revenue of $12 billion in 2024, ZGE is recognized for its ability to adapt and thrive in competitive global markets. However, the conglomerate's leadership is now focusing on streamlining operations and leveraging digital channels to sustain growth.

To address operational complexity, ZGE's management highlights the advantages of its Strategic Business Unit (SBU) structure. Each business unit operates autonomously with dedicated leadership teams, enabling tailored strategies for market-specific needs. For example, the renewable energy SBU recently secured a $500 million contract with a European government for solar power solutions, while the fashion retail SBU launched a luxury e-commerce platform that grew sales by 45% year-on-year.

ZGE's overarching strategy emphasizes the best-cost provider approach. By balancing premium quality with competitive pricing, the healthcare SBU, for instance, has introduced telemedicine services that cost 30% less than competitors without compromising service quality. This approach resonates strongly with middle-income consumers across Asia and Africa.

Digital marketing has become a cornerstone of ZGE's customer engagement strategy. In 2024, the company allocated $200 million to develop AI-driven marketing campaigns, leveraging predictive analytics to personalize ads. This resulted in a 20% higher customer acquisition rate across all SBUs. The luxury real estate division also adopted virtual reality (VR) tours, allowing global customers to explore properties remotely, driving a 35% increase in international sales.

A key challenge for ZGE lies in balancing the needs of customers (the direct purchasers) and consumers (the end users). In the digital services SBU, this tension is evident in pricing decisions for their cloud computing solutions. While enterprise customers demand cost-efficient packages, end users prioritize seamless, high-speed performance. ZGE's leadership employs customer insights and feedback loops to align pricing with both groups 'expectations.

Finally, ZGE's channel of distribution heavily relies on e-commerce platforms. The fashion retail SBU's recent collaboration with a major e-commerce marketplace increased distribution efficiency by 40%. Meanwhile, the healthcare SBU's direct-to-consumer online pharmacy has achieved $100 million in annual revenue by offering home delivery of essential medicines.

With these strategies, ZGE aims to achieve 10% annual growth while maintaining its commitment to innovation and quality. However, as the conglomerate scales, it must address potential challenges such as inter-SBU competition and digital transformation risks.

Based on the above Case Scenario, answer the Multiple-Choice Questions.

(i) The decision of the renewable energy SBU to secure a $500 million European solar contract is an example of:

(a) Reactive response to market uncertainty

(b) Proactive expansion into international government partnerships

(c) Reactive change based on customer feedback

(d) Delayed adaptation to global competition **(2 Marks)**

(ii) How does ZGE's best-cost provider strategy benefit its healthcare SBU?

(a) By offering the lowest-priced services in the market

(b) By maintaining high service quality at competitive prices

(c) By targeting only premium customers in developed markets

(d) By focusing solely on cost-cutting measures **(2 Marks)**

(iii) What role does digital marketing play in ZGE's growth strategy?

(a) It reduces the need for traditional marketing channels.

(b) It drives personalized customer engagement and higher acquisition rates.

(c) It replaces in-person customer interactions entirely.

(d) It focuses solely on promoting the renewable energy SBU. **(2 Marks)**

(iv) How has the reliance on e-commerce benefited ZGE's distribution strategy?

(a) By completely eliminating traditional retail outlets

(b) By improving efficiency and expanding market reach

(c) By reducing the importance of product quality

(d) By focusing only on domestic markets **(2 Marks)**

(v) What potential challenge could arise from ZGE's SBU structure?

(a) Difficulty in digital transformation across the conglomerate

(b) Increased competition between SBUs

(c) Limited autonomy for each business unit

(d) Reduced innovation within individual SBUs **(2 Marks)**

(B) Compulsory Application Based Independent MCQs

(i) A manufacturing company's success is rooted in its proven ability to consistently adhere to ISO quality standards, deliver products with zero defects, and effectively manage its global supply chain. This inherent capability is a result of years of rigorous, standardized production schedules, quality audits, and logistical processes. Which "S" in the McKinsey 7S Framework best reflects these established, recurring daily activities and formal procedures?

(a) Staff

(b) Style

(c) Systems

(d) Skills **(2 Marks)**

(ii) In the Indian smartphone market, Chinese brands completely captured the budget segment. Which of Porter's Five Forces is intensified by the presence of numerous players offering functionally similar, low-priced products?

(a) Rivalry Among Existing Competitors

(b) Bargaining Power of Suppliers

(c) Threat of New Entrants

(d) Bargaining Power of Buyers **(2 Marks)**

(iii) Which characteristic highlights the inspirational aspect of a Mission Statement?

(a) It is short, concise, and focused on current market share.

(b) It provides a sense of direction.

(c) It strictly follows efficiency over effectiveness approach.

(d) It focuses on annual profit targets which are motivation for employees

(1 Mark)

PART II – Descriptive Questions (35 Marks)

*Question No. **1** is compulsory.*

*Attempt any **two** questions out of the remaining **three** questions.*

1. (a) The Board of Directors of *Gromax Industries Ltd.,* a diversified conglomerate with six business units—Agritech, Pharmaceuticals, Construction Materials, Consumer Electronics, Renewable Energy and Logistics—recently held a strategic review meeting. The board discussed allocating the highest capital budget for the next five years to the most promising business unit to enhance long-term shareholder value. They also considered divesting the loss-making Logistics division and reviewed a unified dividend policy for the entire group. These decisions will significantly shape the firm's long-term direction and resource distribution. Which level of strategy is being addressed? Explain with reasons. **(5 Marks)**

(b) *ABC Corp*, a multinational consumer electronics company, is planning to expand its operations into a new country. The company's senior management is evaluating the potential risks and opportunities of entering this new market. As part of their analysis, they decide to use the PESTLE framework to assess the external factors that could impact their decision. How can the PESTLE framework help ABC Corp assess the external factors affecting its decision to expand into a new country? **(5 Marks)**

(c) *Organic Beverages* has been manufacturing various soft drinks for over a decade. It has developed a sugar free beverage to cater to the needs of specific customers by spending heavily on research and development for this product. In addition, a lot of money was spent on marketing (branded as 'Say no to Sugar') and on obtaining licence for it. In a span of five months, company has gained a major share of the market for this new product, and it is growing rapidly. Profitability of this product is also better. In order to take advantage of best opportunity for expansion, it has to make heavy investment to maintain its position in current and new market.

Classify 'Say no to Sugar' product in the most related category in the two-dimensional growth share matrix as per Boston Consulting Group. Explain the strategies which can be pursued post identification and classification of products in such matrix. Also state the limitations of this technique as one of the strategic options. **(5 Marks)**

2. (a) *Connect Group* was one of the leading makers of mobile handsets till a few years ago and which went at the bottom of the heap. *Connect Group* didn't adapt to the current market trends, which eventually led to its downfall. What would have helped *Connect Group* to change, adapt and survive? Explain the steps to initiate the change. **(5 Marks)**

(b) Define strategic management. Also discuss the limitations of strategic management. **(5 Marks)**

3. (a) "A manager as a strategic leader has to play many leadership roles", while explaining the statement in brief, delineate the leadership roles which a manager has to play in pushing for a good strategy execution. **(5 Marks)**

(b) Distinguish between Concentric Diversification and Conglomerate Diversification.

(5 Marks)

4. (a) What do you mean by value chain analysis? Delineate the support activities in value chain analysis, as stated by Michael Porter. **(5 Marks)**

(b) "Managing stakeholders is critical to the success of a project". Explain how Mendelow's Matrix helps in managing stakeholders and categorizing the stakeholders into groups.

OR

Major core competencies are identified in three areas - competitor differentiation, customer value and application to other markets. Discuss. **(5 Marks)**