

**(CA INTERMEDIATE MOCK TEST MAY 2021)**

**DATE: 30.03.2021**

**MAXIMUM MARKS: 100**

**TIMING: 3¼ Hours**

**FINANCIAL MANAGEMENT**

**SECTION - A**

**Q. No. 1 is compulsory.**

**Candidates are also required to answer any four questions from the remaining five questions.**

**In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions top answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.**

**Working Notes should form part of the respective answer.**

**Question: 1**

**(a)** A firm's details are as under:

Sales (@100 per unit)	Rs. 24,00,000
Variable Cost	50%
Fixed Cost	Rs. 10,00,000

It has borrowed Rs. 10,00,000 @ 10% p.a. and its equity share capital is Rs. 10,00,000 (Rs. 100 each) Calculate:

- (i) Operating Leverage
- (ii) Financial Leverage
- (iii) Combined Leverage
- (iv) Return on Investment
- (v) If the sales increases by Rs. 6,00,000; what will the new EBIT?

**(5 Marks)**

**(b)** The capital structure of Beta Limited is as follows:

Equity share capital of Rs. 10 each	8,00,000
9% preference share capital of Rs. 10 each	3,00,000
	11,00,000

Additional information: Profit (after tax at 35 per cent), Rs. 2,70,000; Depreciation, Rs. 60,000; Equity dividend paid, 20 per cent; Market price of equity shares, Rs. 40. You are required to compute the following, showing the necessary workings:

- (i) Dividend yield on the equity shares
- (ii) Cover for the preference and equity dividends
- (iii) Earnings per shares
- (iv) Price-earnings ratio.

**(5 Marks)**

**(c)** There are two company N Ltd. and M Ltd., having same earnings before interest and taxes i.e. EBIT of Rs. 20,000. M Ltd. is a levered company having a debt of Rs. 1,00,000 @ 7% rate of interest. The cost of equity of N Ltd. is 10% and of M Ltd. is 11.50%.

Find out how arbitrage process will be carried on?

**(5 Marks)**

**(d)** Ganesha Limited is setting up a project with a capital outlay of Rs. 60,00,000. It has two alternatives in financing the project cost.

Alternative-I : 100% equity finance by issuing equity shares of Rs. 10 each

Alternative-II : Debt-equity ratio 2:1 (issuing equity shares of Rs. 10 each)

The rate of interest payable on the debts is 18% p.a. The corporate tax rate is 40%. Calculate the indifference point between the two alternative methods of financing.

**(5 Marks)**

**Question: 2**

**(a)** The following information is available in respect of Sai Trading company:

- (i) On an average, debtors are collected after 45 days; inventories have an average holding period of 75 days and creditor's payment period on an average is 30 days.
- (ii) The firm spends a total of Rs. 120 lakhs annually at a constant rate.
- (iii) It can earn 10 per cent on investments.

From the above information, you are required to calculate:

- (a) The cash cycle and cash turnover,
- (b) Minimum amounts of cash to be maintained to meet payments as they become due,
- (c) Savings by reducing the average inventory holding period by 30 days.

**(5 Marks)**

**(b)** The following information relates to Navya Ltd:

Earnings of the company	Rs. 20,00,000
Dividend pay-out ratio	60%
No. of Shares outstanding	4,00,000
Rate of return on investment	15%
Equity capitalization rate	12%

Required:

- (i) DETERMINE what would be the market value per share as per Walter's model.
- (ii) COMPUTE optimum dividend pay-out ratio according to Walter's model and the market value of company's share at that pay-out ratio.

**(5 Marks)**

**Question: 3**

ABC Ltd. has the following capital structure which is considered to be optimum as on 31st March, 2017.

	<b>(Rs.)</b>
14% Debentures	30,000
11% Preference shares	10,000
Equity Shares (10,000 shares)	1,60,000
	2,00,000

The company share has a market price of Rs. 23.60. Next year dividend per share is 50% of year 2017 EPS. The following is the trend of EPS for the preceding 10 years which is expected to continue in future.

<b>Year</b>	<b>EPS (Rs.)</b>	<b>Year</b>	<b>EPS (Rs.)</b>
2008	1.00	2013	1.61
2009	1.10	2014	1.77
2010	1.21	2015	1.95
2011	1.33	2016	2.15
2012	1.46	2017	2.36

The company issued new debentures carrying 16% rate of interest and the current market price of debenture is Rs. 96.

Preference share Rs. 9.20 (with annual dividend of Rs. 1.1 per share) were also issued. The company is in 50% tax bracket.

- (A) Calculate after tax:
  - (i) Cost of new debt
  - (ii) Cost of new preference shares
  - (iii) New equity share (consuming new equity from retained earnings)
- (B) Calculate marginal cost of capital when no new shares are issued.
- (C) How much can be spent for capital investment before new ordinary shares must be sold. Assuming that retained earnings for next year's investment are 50 percent of 2017.
- (D) What will the marginal cost of capital when the funds exceeds the amount calculated in (C), assuming new equity is issued at Rs. 20 per share?

**(10 Marks)**

**Question: 4**

PQ Ltd., a company newly commencing business in 2017 has the following projected Profit and Loss Account:

	(Rs.)	(Rs.)
Sales		2,10,000
Cost of goods sold		1,53,000
Gross Profit		57,000
Administrative Expenses	14,000	
Selling Expenses	13,000	27,000
Profit before tax		30,000
Provision for taxation		10,000
Profit after tax		20,000
The cost of goods sold has been arrived at as under:		
Materials used	84,000	
Wages and manufacturing Expenses	62,500	
Depreciation	23,500	
	1,70,000	
Less: Stock of Finished goods (10% of goods produced not yet sold)	17,000	
	1,53,000	

The figure given above relate only to finished goods and not to work-in-progress. Goods equal to 15% of the year's production (in terms of physical units) will be in process on the average requiring full materials but only 40% of the other expenses. The company believes in keeping materials equal to two months' consumption in stock.

All expenses will be paid one month in advance. Suppliers of materials will extend 1-1/2 months credit. Sales will be 20% for cash and the rest at two months' credit. 70% of the Income tax will be paid in advance in quarterly instalments. The company wishes to keep Rs. 8,000 in cash. 10% has to be added to the estimated figure for unforeseen contingencies.

Prepare an estimate of working capital.

Note: All workings should form part of the answer.

**(10 Marks)**

**Question: 5**

PR Engineering Ltd. is considering the purchase of a new machine which will carry out some operations which are at present performed by manual labour. The following information related to the two alternative models – 'MX' and 'MY' are available:

	<b>Machine 'MX'</b>	<b>Machine 'MY'</b>
Cost of Machine	Rs. 8,00,000	Rs. 10,20,000
Expected Life	6 years	6 years
Scrap Value	Rs. 20,000	Rs. 30,000

Estimated net income before depreciation and tax:

<b>Year</b>	<b>Rs.</b>	<b>Rs.</b>
1	2,50,000	2,70,000
2	2,30,000	3,60,000
3	1,80,000	3,80,000
4	2,00,000	2,80,000
5	1,80,000	2,60,000
6	1,60,000	1,85,000

Corporate tax rate for this company is 30 percent and company's required rate of return on investment proposals is 10 percent. Depreciation will be charged on straight line basis. You are required to:

- (i) Calculate the pay-back period of each proposal.
- (ii) Calculate the net present value of each proposal, if the P.V. factor at 10% is – 0.909, 0.826, 0.751, 0.683, 0.621 and 0.564.
- (iii) Which proposal you would recommend and why

**(10 Marks)**

**Question: 6 :** निम्नलिखित टिप्पणियां लिखिए।

(a) ग्लोबल डिपोजिटरी रसीदे

**(2½ Marks)**

(b) भारतीय डिपोजिटरी रसीदे

**(2½ Marks)**

(c) उद्यम पूँजी वित्तियन

**(2½ Marks)**

(d) प्लेन वनिला बॉण्ड

**(2½ Marks)**

**ECONOMICS FOR FINANCE**

**SECTION - B**

**Q. No. 7 is compulsory.**

**Answer any three from the rest.**

**In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.**

**Working Notes should form part of the respective answer.**

**Question 7:**

- (a) हमारी अर्थव्यवस्था में बाजार स्थायीकरण योजना की क्या भूमिका है? **(3 Marks)**
- (b) आपकी स्थानीय कंटेंट आवश्यकता क्या है? यह किस प्रकार व्यापार का प्रभावित करेगी? **(3 Marks)**
- (c) GATT ने किस प्रकार 1980 तक अपनी प्रासंगिकता को खो दिया? **(2 Marks)**
- (d) राष्ट्रीय आय की गणना करते हुए पेंशन तथा आय सुरक्षा भुगतान को अल्प कर दिया जाता है? **(2 Marks)**

**Question 8:**

- (a) आय तरीका का उपयोग कर निम्न डाटा से फेक्टर लागत अथवा राष्ट्रीय आय पर NNP की गणना करें :

	(करोड़ रुपये में)
कर्मचारियों को क्षतिपूर्ति	3,000
स्वयं रोजगार की मिश्रित आय	1,050
अप्रत्यक्ष कर	480
सहायता	630
हिस	428
किराया	1,020
ब्याज	2,010
लाभ	980
विदेश से शुद्ध फेक्टर आय	370

**(3 Marks)**

- (b) क्रेडिट गुणाक की गणना करे यदि आवश्यक रिजर्व अनुपात बैंकिंग सिस्टम में जमा रुपये 1,00,000 के लिए 10% तथा 12.5% है। प्रत्येक मामला में बैंकिंग सिस्टम द्वारा सृजित योग क्रेडिट धन क्या होगा? **(2 Marks)**
- (c) धन की नयो क्लासिकल अप्रोच को स्पष्ट करें। **(3 Marks)**
- (d) मंदी गैप क्या है? **(2 Marks)**

**Question 9:**

- (a) एक अर्थव्यवस्था में आय का चक्रीय प्रवाह को स्पष्ट करे।

**(3 Marks)**

(b) किस प्रकार WTO समझौता बाजार पहुंच को सुनिश्चित करता है? (2 Marks)

(c) किस प्रकार स्वेच्छिक वित्तीय नीति अर्थव्यवस्था में अस्थिरता को सही करने में सहायता करती है? (3 Marks)

(d) 'रिवर्स रेपो दर' का स्पष्ट करें। (2 Marks)

**Question 10:**

(a) WTO के संबंध में तथा इसकी उदार विश्व व्यापार का सिस्टम को बनाये रखने तथा बढ़ाने की इसकी योग्यता के संबंध में कई भांका को उठाया है। (3 Marks)

(b) चाहे यदि एक राष्ट्र सभी वस्तु का उत्पादन में अन्य राष्ट्र में कम कुशल है, पारस्परिक लाभ व्यापार का फिर भी स्कूप है। विस्तार में व्याख्या करें। (3 Marks)

(c) प्रवाहित विनिमय दर प्रशासन के अंतर्गत किस प्रकार विनिमय दर निर्धारित किया जाता है? (2 Marks)

(d) व्यापार विसंगति से क्या अर्थ है? (2 Marks)

**Question 11:**

(a) निम्न डाटा से सहायता की राशि की गणना करे : (3 Marks)

बाजार कीमत पर GDP (करोड़ रुपये में)	7,79,567
अप्रत्यक्ष कर (करोड़ रुपये में)	4,54,367
फेक्टर लागत पर GDP (करोड़ रुपये में)	3,60,815

(b) 'वैश्विक सार्वजनिक वस्तु' से क्या अभिप्राय है? संक्षेप में स्पष्ट करें। (2 Marks)

(c) एक कुशल प्रदुषण कर का प्रशासन में समस्या को वर्णित करे। (3 Marks)

(d) RBI द्वारा परिचालित खुला बाजार परिचालन को स्पष्ट करें। (2 Marks)