

(CA INTERMEDIATE MOCK TEST MAY 2021)

DATE: 01.05.2021

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) MN Limited gives you the following information related for the year ending 31st March, 2016:

(1)	Current Ratio	2.5 : 1
(2)	Debt-Equity Ratio	1 : 1.5
(3)	Return on Total Assets (After Tax)	15%
(4)	Total Assets Turnover Ratio	2
(5)	Gross Profit Ratio	20%
(6)	Stock Turnover Ratio	7
(7)	Current Market Price per Equity Share	Rs. 16
(8)	Net Working Capital	Rs. 4,50,000
(9)	Fixed Assets	Rs. 10,00,000
(10)	60,000 Equity Shares of	Rs. 10 each
(11)	20,000, 9% Preference Shares of	Rs. 10 each
(12)	Opening Stock	Rs. 3,80,000

You are required to calculate:

- (i) Quick Ratio
- (ii) Fixed Assets Turnover Ratio
- (iii) Proprietary Ratio
- (iv) Earnings per Share
- (v) Price-Earning Ratio

(7 Marks)

(b) The following details of RST Limited for the year ended 31st March, 2015 are given below:

Operating leverage	1.4
Combined leverage	2.8
Fixed Cost (Excluding interest)	Rs. 2.04 lakhs
Sales	Rs. 30.00 lakhs
12% Debentures of Rs. 100 each	Rs. 21.25 lakhs
Equity Share Capital of Rs. 10 each	Rs. 17.00 lakhs
Income tax rate	30 per cent

Required:

- (i) Calculate Financial leverage
- (ii) Calculate P/V ratio and Earning per Share (EPS)
- (iii) If the company belongs to an industry, whose assets turnover is 1.5, does it have a high or low assets turnover?
- (iv) At what level of sales the Earning before Tax (EBT) of the company will be equal to zero?

(8 Marks)

- (c) There are two firms P and Q which are identical except P does not use any debt in its capital structure while Q has Rs. 8,00,000, 9% debentures in its capital structure. Both the firms have earnings before interest and tax of Rs. 2,60,000 p.a. and the capitalization rate is 10%. Assuming the corporate tax of 30%, calculate the value of these firms according to MM Hypothesis.

(5 Marks)

Question 2:

JKL Ltd. has the following book-value capital structure as on March 31, 20X5.

	(Rs.)
Equity share capital (2,00,000 shares)	40,00,000
11.5% Preference shares	10,00,000
10% Debentures	30,00,000
	80,00,000

The equity shares of the company are sold for Rs. 20. It is expected that the company will pay next year a dividend of Rs. 2 per equity share, which is expected to grow by 5% p.a. forever. Assume a 35% corporate tax rate.

Required:

- (i) Compute weighted average cost of capital (WACC) of the company based on the existing capital structure.
- (ii) Compute the new WACC, if the company raises an additional Rs. 20 lakhs debt by issuing 12% debentures. This would result in increasing the expected equity dividend to Rs. 2.40 and leave the growth rate unchanged, but the price of equity share will fall to Rs. 16 per share.

(10 Marks)

Question 3:

The Management of a Company has two alternative proposals under consideration. Project A requires a capital outlay of Rs. 12,00,000 and project 'B' requires Rs. 18,00,000. Both are estimated to provide a cash flow for five years:

Project A Rs. 4,00,000 per year and Project B Rs. 5,80,000 per year. The cost of capital is 10%. Show which of the two projects is preferable from the view point of (i) Net present value method, (ii) Present value index method (PI method), (iii) Internal rate of return method.

The present values of Re. 1 of 10%, 18% and 20% to be received annually for 5 years being 3.791, 3.127 and 2.991 respectively.

(10 Marks)

Question 4:

- (a) Shivam Ltd. is considering two mutually exclusive projects A and B. Project A costs Rs. 36,000 and project B Rs. 30,000. You have been given below the net present value probability distribution for each project.

Project A		Project B	
NPV estimates (Rs.)	Probability	NPV estimates (Rs.)	Probability
15,000	0.2	15,000	0.1
12,000	0.3	12,000	0.4
6,000	0.3	6,000	0.4
3,000	0.2	3,000	0.1

- (i) Compute the expected net present values of projects A and B.
- (ii) Compute the risk attached to each project i.e. standard deviation of each probability distribution.
- (iii) Compute the profitability index of each project.
- (iv) Which project do you recommend? State with reasons.

(6 Marks)

- (b) M Ltd. belongs to a risk class for which the capitalization rate is 10%. It has 25,000 outstanding shares and the current market price is Rs. 100. It expects a net profit of Rs. 2,50,000 for the year and the Board is considering dividend of Rs. 5 per share. M Ltd. requires to raise Rs. 5,00,000 for an approved investment expenditure. Show, how the MM approach affects the value of M Ltd. if dividends are paid or not paid.

(4 Marks)

Question 5:

MN Ltd. is commencing a new project for manufacture of electric toys. The following cost information has been ascertained for annual production of 60,000 units at full capacity:

		Amount per unit
Raw materials		20
Direct labour		15
Manufacturing overheads:		
	Rs.	
Variable	15	
Fixed	<u>10</u>	25
Selling and Distribution overheads:		
	Rs.	
Variable	3	
Fixed	<u>1</u>	4
Total cost		64
Profit		<u>16</u>
Selling price		<u>80</u>

In the first year of operations expected production and sales are 40,000 units and 35,000 units respectively. To assess the need of working capital, the following additional information is available:

- | | |
|--|-----------------------|
| (i) Stock of Raw materials | 3 months consumption. |
| (ii) Credit allowable for debtors | 1½ months. |
| (iii) Credit allowable by creditors | 4 months. |
| (iv) Lag in payment of wages | 1 month. |
| (v) Lag in payment of overheads | ½ month. |
| (vi) Cash in hand and Bank is expected to be | Rs. 60,000. |
| (vii) Provision for contingencies is required @ 10% of working capital requirement including that provision. | |

You are required to prepare a projected statement of working capital requirement for the first year of operations. Debtors are taken at cost.

(10 Marks)

Question 6:

निम्न पर लघु टिप्पणी लिखे :

- (a) वित्त प्रबंधक का कार्य।

(4 Marks)

- (b) निवेश, वित्त तथा लाभांश निर्णय के मध्य अन्तः संबंध।

(3 Marks)

- (c) ऋण प्रतिभूतिकरण।

(3 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) विश्व व्यापार संस्था (WTO) का प्रमुख कार्य क्या है? आप शब्द सर्वाधिक सहायुक्त राष्ट्र (MFN) से क्या समझते हैं? **(5 Marks)**
- (b) नकद संचय अनुपात (CRR) पर नोट लिखें। नकद संचय अनुपात (CRR) के परिचालन को स्पष्ट करें। **(3 Marks)**
- (c) 'एंटी डम्पिंग' माप से आप क्या समझते हैं? **(2 Marks)**

Question 8:

- (a) बाजार विफलता की अवधारणा को परिभाषित करें। बाजार विफलता की विभिन्न स्रोत को वर्णित करें। **(5 Marks)**
- (b) मंदी तथा अवसाद के दौरान क्या कर नीति होनी चाहिए? परीक्षण करें। **(3 Marks)**
- (c) हमारी अर्थव्यवस्था में बाजार स्थायीकरण योजना की क्या भूमिका है? **(2 Marks)**

Question 9:

- (a) एक अर्थव्यवस्था में आय का पुनः वितरण के लिए वित्तीय नीति माप के कौन से प्रकार उपयोगी है? परीक्षण करें। **(5 Marks)**
- (b) विनिमय दर में बदलाव की प्रकृति को तथा वास्तविक अर्थव्यवस्था पर उनके प्रभाव को स्पष्ट करें। **(3 Marks)**
- (c) 'सामान्य लोगों की त्रासदी' शुद्ध का वर्णन कीजिए। **(2 Marks)**

Question 10:

- (a) एक देश में धन आपूर्ति का विभिन्न निर्धारक को वर्णित करें। **(5 Marks)**
- (b) स्पष्ट करें कि किस प्रकार नकद को धारित करने का सहायक बाजार, ब्याज दर से संबंधित है?

(3 Marks)

- (c) निम्न में से प्रत्येक स्थिति के लिए बाजार परिणाम की पहचान करें।
 (i) कुछ युवा रात्रि को तेज संगीत बजाते हैं। पड़ोसी रात को सो नहीं पाते।
 (ii) राम एक बड़ी SUV का क़य करता है जो भारी है।

(2 Marks)

Question 11:

- (a) आपको दस लाख (मिलियन) में अर्थव्यवस्था पर निम्न डाटा को दिया है—

उपभोक्ता व्यय (अप्रत्यक्ष कर सहित)	110 m
निवेश	20 m
सरकारी व्यय (अंतरण भुगतान सहित)	70 m
निर्यात	20 m
आयात	50 m
विदेश से शुद्ध सम्पत्ति आय	10 m
अंतरण भुगतान	20 m
अप्रत्यक्ष कर	30 m
जनसंख्या	0.5 m

- (i) बाजार कीमत पर सकल घरेलू उत्पान की गणना करें।
 (ii) बाजार कीमत पर सकल राष्ट्रीय आय की गणना करें।
 (iii) फेक्टर लागत पर सकल घरेलू उत्पाद की गणना करें।
 (iv) फेक्टर लागत पर प्रति व्यक्ति राष्ट्रीय आय की गणना करें।

(5 Marks)

- (b) राष्ट्रीय आय को परिभाषित करें। चालू तथा स्थिर कीमत के मध्य अंतर का आधार को निकालें।

(3 Marks)

- (c) शब्द अर्द्ध—जन वस्तु को स्पष्ट करें।

(2 Marks)

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