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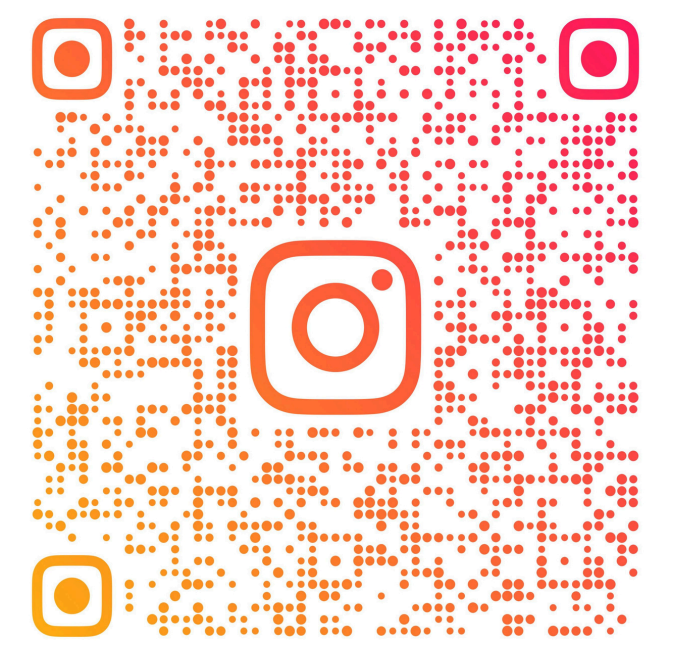


# CA ADARSH JOSHI

CA , B.COM

**FOUNDER**

- 8+ years of teaching experience in CA education
- Subject Expert in:  
CA Foundation – Paper 2: Business Laws  
CA Intermediate – Paper 2: Corporate and Other Laws
- Has uploaded over 3000+ educational videos for CA Foundation and CA Inter students
- Known for his dynamic, conceptual and “fun-and-learn” teaching style
- Guided thousands of students across India to success in CA exams
- Strong academic background with B.Com (BMCC, Pune) and ACA qualification
- Widely appreciated for his clarity, energy, and practical approach to law subjects
- Through Shikshadwar, offers comprehensive classes, books, tests, and mentorship to CA students



CAADARSHJOSHI



# CA DARSHAN JAIN

CA , CS , LLB , DISA , DIRM , B.COM

CO FOUNDER

- Chartered Accountant by profession & educator by passion
- Teaching Financial Accounting , Financial Management & Strategic Management to CA Students For 12 Years.
- Practicing Chartered Accountant For Past 13 years in The Field of Audit , Direct & Indirect Taxes & Management Consultancy
- Elected as Convenor of The Jalna CA CPE Chapter of WIRC of ICAI For 2 consecutive years 20-21 & 21-22.
- He Has Successfully Completed & Qualified Following Certificate Course Conducted By ICAI
  1. Forensic Accounting & Fraud Detection
  2. Concurrent Audit of Banks
  3. Goods & Service Tax (GST)
  4. Public Finance & Accounting
  5. Drafting & Pleading Before Authorities
  6. Wealth management & Financial Planning
  7. Artificial Intelligence



@CA\_DARSHAN\_JAIN

# CA TUSHAR TAPARIA

CA , LLB

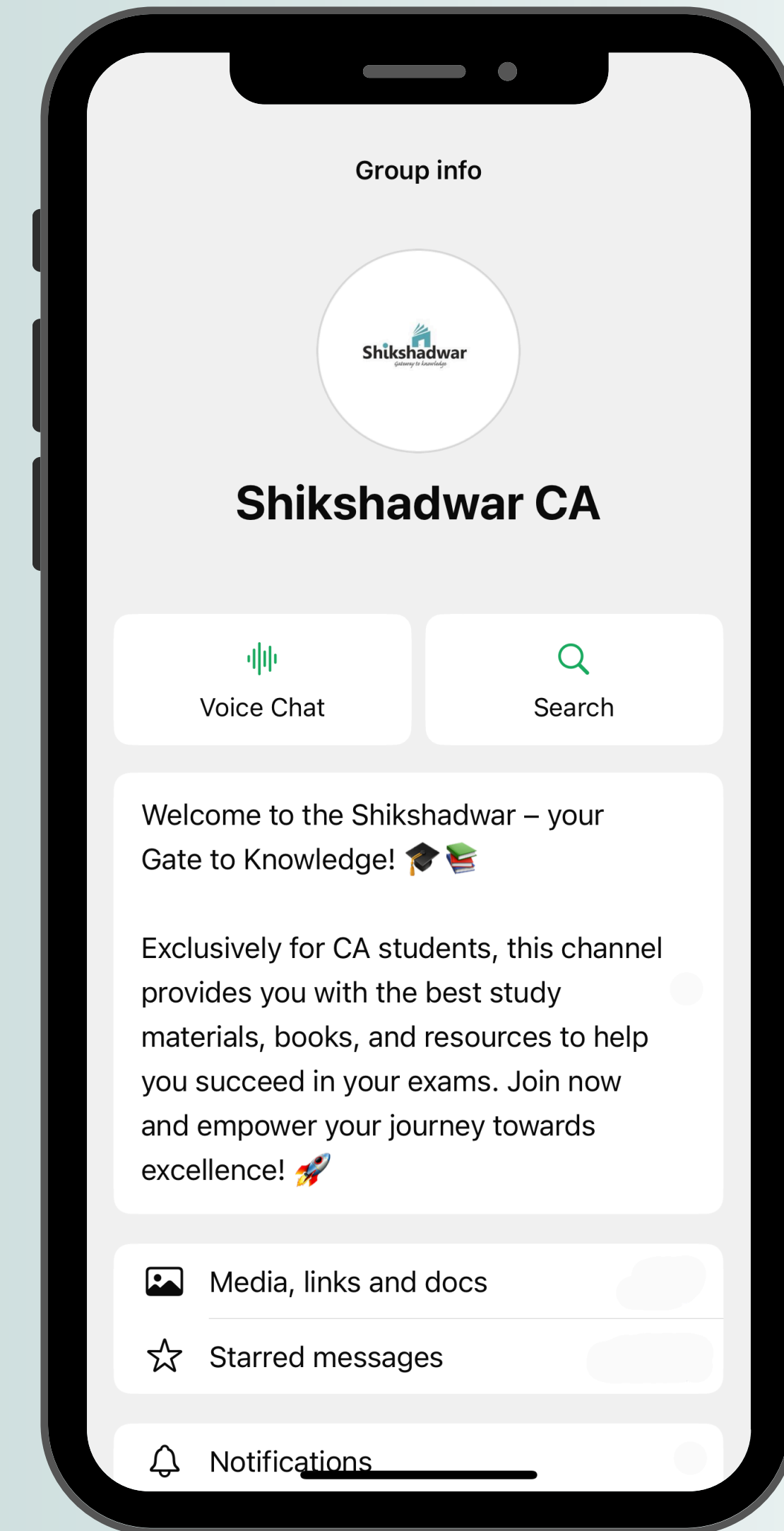
- A multi-faceted professional with a Chartered Accountancy qualification and a Bachelor's degree in Law.
- Brings 7+ years of teaching experience across CA and CS professional courses.
- Specializes in:
  - Taxation at CA Intermediate and CS Executive levels
  - Economics at CA Foundation level
- Known for simplifying complex concepts with crystal-clear explanations and practical insights.
- Expert in delivering Fasttrack batches with proven accelerated learning techniques.
- Frequently invited as a visiting faculty for Taxation at reputed coaching institutes.
- Loved by students for his interactive teaching style, real-life examples, and exam-oriented approach.



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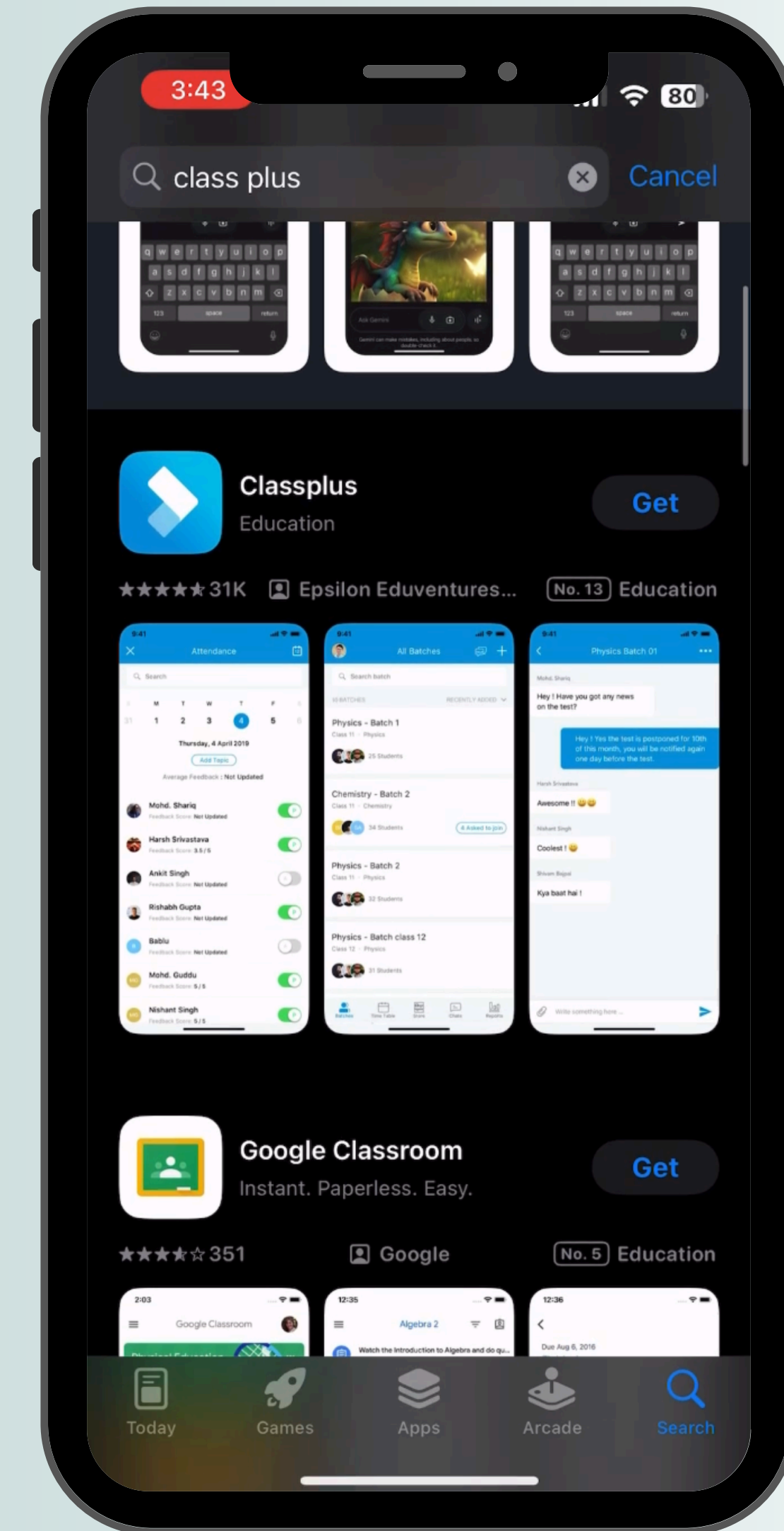
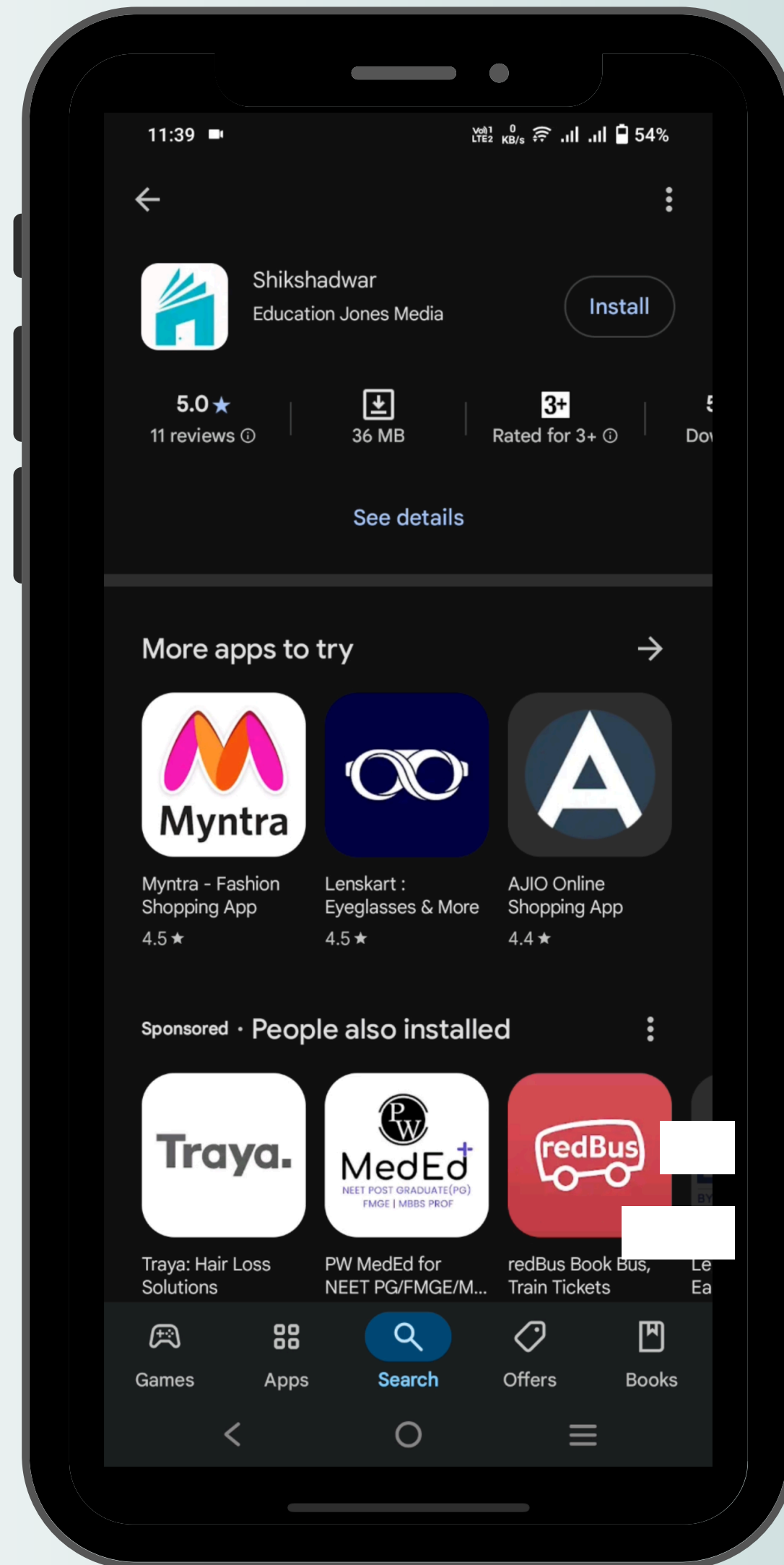
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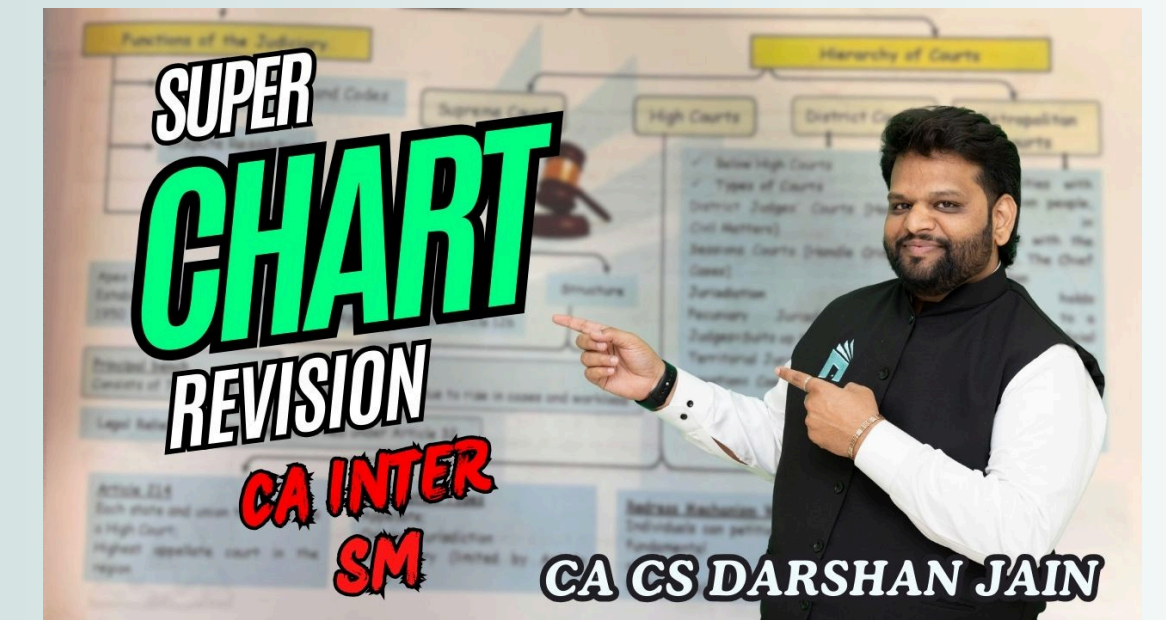
# CA INTERMEDIATE MAY 25

## Marathons Live Streams



RRR - Result Oriented Rapid Revision

Most Imp Questions



One Shot MCQ's Marathon

Super Chart Revision









Amendments Ki Pathshala

20 -20 Series

# CA INTERMEDIATE MAY 25

## Marathons Schedule With Links

DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
17/4/2025	8.00 AM	CA ADARSH JOSHI	LAW	RRR	
18/4/2025	12.00 NOON	CA TUSHAR TAPARIA	GST	RRR	
19/4/2025	8.00 AM	CA CS DARSHAN JAIN	FM	RRR	
20/4/2025	8.00 AM	CA ADARSH JOSHI	LAW	ONE SHOT MCQ MARATHON	
21/4/2025	2.00 PM	CA TUSHAR TAPARIA	GST	GST AMENDMENTS & ITS IMPORTANT QUESTIONS	
23/4/2025	8.00 AM	CA CS DARSHAN JAIN	FM	ONE SHOT MCQ MARATHON	

DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
24/4/2025	2.00 PM	CA TUSHAR TAPARIA	DT	DT AMENDMENTS & ITS IMPORTANT QUESTIONS	
27/4/2025	8.00 AM	CA CS DARSHAN JAIN	SM	ONE SHOT MCQ MARATHON	
4/5/2025	8.00 AM	CA ADARSH JOSHI	LAW	MOST IMPORTANT QUESTIONS	
6/5/2025	3.00 PM	CA TUSHAR TAPARIA	TAXATION	20-20	
12/5/2025	8.00 AM	CA CS DARSHAN JAIN	FM	20-20	
13/5/2025	8.00 AM	CA CS DARSHAN JAIN	SM	SUPER CHART REVISION	

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**TEST PAPER**  
**ON**  
**MEANING ,SCOPE & OBJECTIVES OF**  
**— FINANCIAL MANAGMENT —**

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# DETAILS OF CURRENT TEST

Date – 8<sup>TH</sup> June 24

Marks – 30 Marks

Duration – 60 Mins

Time – As Per Your Convenience before Midnight 12.00 AM

Test Paper Discussion – In next Class

1. Discuss The Inter Relationship Between Investment , Financing & Dividend Decision ? (5)
2. Explain As to How Wealth Maximization objective is superior to Profit Maximization? (4)
3. Discuss Agency problem , its Cost & How it can be Addressed? (5)
4. Explain Impact of Taxation in Financial management? (4)
5. Profit Maximization is not an Operationally feasible Criterion. Explain (4)
6. Explain Four tasks Involved to demonstrate The Importance of Financial management (4)
7. Explain in brief the phases of the evolution of financial management. (4)

Discuss The Inter Relationship Between Investment , Financing & Dividend Decision ? (5)

# ANSWER

## **Inter-relationship between Investment, Financing and Dividend Decisions**

The finance functions are divided into three major decisions, viz., investment, financing and dividend decisions. It is correct to say that these decisions are inter-related because the underlying objective of these three decisions is the same, i.e. maximisation of shareholders' wealth. Since investment, financing and dividend decisions are all interrelated, one has to consider the joint impact of these decisions on the market price of the company's shares and these decisions should also be solved jointly. The decision to invest in a new project needs the finance for the investment. The financing decision, in turn, is influenced by and influences dividend decision because retained earnings used in internal financing deprive shareholders of their dividends. An efficient financial management can ensure optimal joint decisions. This is possible by evaluating each decision in relation to its effect on the shareholders' wealth.

The above three decisions are briefly examined below in the light of their inter-relationship and to see how they can help in maximising the shareholders' wealth i.e. market price of the company's shares.

*Investment decision:* The investment of long term funds is made after a careful assessment of the various projects through capital budgeting and uncertainty analysis. However, only that investment proposal is to be accepted which is expected to yield at least so much return as is adequate to meet its cost of financing. This has an influence on the profitability of the company and ultimately on its wealth.

*Financing decision:* Funds can be raised from various sources. Each source of funds involves different issues. The finance manager has to maintain a proper balance between long-term and short-term funds. With the total volume of long-term funds, he has to ensure a proper mix of loan funds and owner's funds. The optimum financing mix will increase return to equity shareholders and thus maximise their wealth.

*Dividend decision:* The finance manager is also concerned with the decision to pay or declare dividend. He assists the top management in deciding as to what portion of the profit should be paid to the shareholders by way of dividends and what portion should be retained in the business. An optimal dividend pay-out ratio maximises shareholders' wealth.

The above discussion makes it clear that investment, financing and dividend decisions are interrelated and are to be taken jointly keeping in view their joint effect on the shareholders' wealth.

Explain As to How Wealth Maximization objective is superior to Profit Maximization? (4)

# ANSWER

The value maximisation objective of a firm is superior to its profit maximisation objective due to following reasons.

1. The value maximisation objective of a firm considers all future cash flows, dividends, earning per share, risk of a decision etc. whereas profit maximisation objective does not consider the effect of EPS, dividend paid or any other returns to shareholders or the wealth of the shareholder.
2. A firm that wishes to maximise the shareholders wealth may pay regular dividends whereas a firm with the objective of profit maximisation may refrain from dividend payment to its shareholders.
3. Shareholders would prefer an increase in the firm's wealth against its generation of increasing flow of profits.
4. The market price of a share reflects the shareholders expected return, considering the long-term prospects of the firm, reflects the differences in timings of the returns, considers risk and recognizes the importance of distribution of returns.

The maximisation of a firm's value as reflected in the market price of a share is viewed as a proper goal of a firm. The profit maximisation can be considered as a part of the wealth maximisation strategy.

Discuss Agency problem , its Cost & How it can be Addressed?

(5)

# ANSWER

**Agency Problem:** Though in a sole proprietorship firm, partnership etc., owners participate in management but in corporates, owners are not active in management so, there is a separation between owner/ shareholders and managers. In theory managers should act in the best interest of shareholders however in reality, managers may try to maximise their individual goal like salary, perks etc., so there is a principal agent relationship between managers and owners, which is known as Agency Problem. In a nutshell, **Agency Problem is the chances that managers may place personal goals ahead of the goal of owners.**

Agency Problem leads to Agency Cost. Agency cost is the additional cost borne by the shareholders to monitor the manager and control their behaviour so as to maximise shareholders wealth. Generally, Agency Costs are of four types (i) monitoring (ii) bonding (iii) opportunity (iv) structuring.

The agency problem arises if manager's interests are not aligned to the interest of the debt lender and equity investors. The agency problem of debt lender would be addressed by imposing negative covenants i.e. the managers cannot borrow beyond a point. This is one of the most important concepts of modern day finance and the application of this would be applied in the Credit Risk Management of Bank, Fund Raising, Valuing distressed companies.

Agency problem between the managers and shareholders can be addressed if the interests of the managers are aligned to the interest of the shareholders. It is easier said than done.

However, following effort have been made to address these issues:

- Managerial compensation is linked to profit of the company to some extent and also with the long-term objectives of the company.
- ESOP is also designed to address the issue with the underlying assumption that maximization of the stock price is the objective of the investors.
- Effecting monitoring can be done through Corporate Governance

Explain Impact of Taxation in Financial management?

(4)

**1. Financing Decisions - Cost of Capital:** Debt is cheaper than Equity since interest payable on loan is a charge on profit and will reduce the tax payable by the Company. The use of cheaper cost debt funds has a leverage effect and increases the EPS of the Company.

**2. Investment Decisions - Capital Budgeting:** For project evaluation, the Cash Flows after Taxes (CFAT) are relevant for discounting purposes. Cash outflows may also be reduced due to various deductions and allowances. The incidence of tax on income and on capital gains affect cash flows and investment decisions.

**3. Dividend Decisions - Retention v Payment:** Tax is one of the major considerations in taking decisions on the amount and rate of dividend. Whether the Company should retain all its earnings or distribute all earnings as dividend also depends on Tax incidence on the Company and its Shareholders.

Profit Maximization is not an Operationally feasible Criterion. Explain (4)

# ANSWER

The profit maximisation is not an operationally feasible criterion.” This statement is true because profit maximisation can be a short-term objective for any organisation and cannot be its sole objective. Profit maximization fails to serve as an operational criterion for maximizing the owner's economic welfare. It fails to provide an operationally feasible measure for ranking alternative courses of action in terms of their economic efficiency. It suffers from the following limitations:

- (a) Vague term: The definition of the term profit is ambiguous. Does it mean short term or long term profit? Does it refer to profit before or after tax? Total profit or profit per share?
- (b) Timing of Return: The profit maximization objective does not make distinction between returns received in different time periods. It gives no consideration to the time value of money, and values benefits received today and benefits received after a period as the same.
- (c) It ignores the risk factor.
- (d) The term maximization is also vague.

Explain Four tasks Involved to demonstrate The Importance of Financial management (4)

## The tasks that involves following activities demonstrates the importance of good financial management

- Taking care not to **over-invest** in fixed assets
- **Balancing** cash-outflow with cash-inflows
- Ensuring that there is a **sufficient level of short-term working capital**
- **Setting sales revenue targets** that will deliver growth
- **Increasing gross profit by setting** the correct pricing for products or services
- **Controlling** the level of **general and administrative expenses** by finding more cost-efficient way of running the day-to-day business operations, and
- **Tax planning** that will minimize the taxes a business has to pay.

Explain in brief the phases of the evolution of financial management. (4)

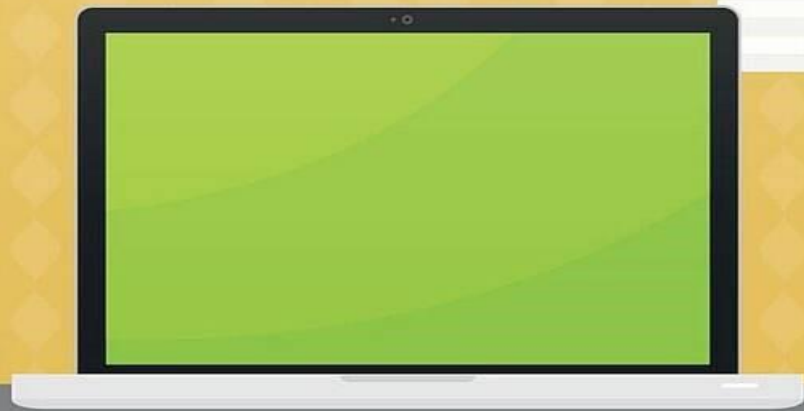
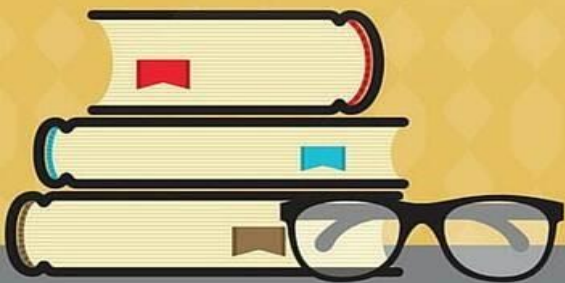
**The Traditional Phase:** During this phase, financial management was considered necessary only during occasional event such as takeover, mergers, expansion, liquidation, etc. Also, when taking financial decision in the organization, the needs of outsider (investment bankers, people who lend money to the business and other such people) to the business was kept in mind.

**The Transitional Phase:** During this phase, the day- to- day problem that financial managers faced were given importance. The general problem related to funds analysis, planning and control were given more attention in this phase.

**The Modern Phase:** Modern phase is still going on. The scope of financial management has greatly increased now. It is important to carry out financial analysis for company. This analysis helps in decision making. During this phase, many theories have been developed regarding efficient markets, capital budgeting, option pricing, valuation models and also in several other important fields in financial management.



**ALL THE  
BEST!**





thank you!