

CA Inter - FM & SM Question Paper Analysis

May 2026 Question Paper Analysis | Chapter-wise Weightage & Difficulty

Part I — MCQ Portion (30 Marks)

Section A — Financial Management

| Q No. | Chapter / Topic | Marks | Difficulty | Key Concept Tested |
|--|--|-------|------------|--|
| Case Scenario I — XYZ Ltd. (Q1 to Q5) | | | | |
| 1 | Cost of Capital / Capital Structure | 2 | Hard | Expected MPS after change in funds using P/E ratio of 20 |
| 2 | Cost of Capital — Cost of Debt | 2 | Medium | Post-tax weighted average cost of debt after additional financing |
| 3 | Capital Structure — Equity Share Capital | 2 | Medium | Equity share capital outstanding before additional fund |
| 4 | Capital Structure / Leverages | 2 | Easy | Total capital employed before and after additional financing |
| 5 | Leverages — EPS Analysis | 2 | Hard | EPS after additional financing and % increase in EPS |
| Standalone MCQs — FM | | | | |
| 6 | Capital Budgeting — IRR | 1 | Easy | Internal Rate of Return calculation and project acceptance decision |
| 7 | Working Capital — Debtors Management | 2 | Medium | Incremental investment in debtors and impact on post-tax profitability |
| 8 | Security Analysis — CAPM | 2 | Easy | Required rate of return using CAPM (Beta, R _f , R _m) and plan viability |

Section B — Strategic Management

| Q No. | Chapter / Topic | Marks | Difficulty | Key Concept Tested |
|--|--|-------|------------|--|
| Case Scenario II — Alex Motor Company (Q9 to Q13) | | | | |
| 9 | Strategic Management — Retrenchment Strategy | 2 | Medium | Action plan steps; identifying steps NOT undertaken by Ajay Sharma |
| 10 | Strategic Management — Mission | 2 | Easy | Identifying the mission statement of Alex Motor Company |
| 11 | Competitive Strategies — Porter's Generic Strategies | 2 | Medium | Initial strategy — Focused Differentiation vs Cost Leadership |
| 12 | Strategic Analysis — | 2 | Medium | Soft elements (Shared Value, Style, |

| | | | | |
|-----------------------------|--|---|---------------|---|
| | McKinsey 7S Model | | | Staff) changed during reinvention |
| 13 | Strategic Management — Proactive vs Reactive | 2 | Hard | Whether strategic management of Alex Motor was proactive or reactive |
| Standalone MCQs — SM | | | | |
| 14 | Portfolio Analysis — GE Nine-Cell Matrix | 1 | Easy | Two dimensions: Business Strength and Market Attractiveness |
| 15 | Competitive Strategies — Best Cost Provider Strategy | 2 | Medium | Actions to align with best cost provider strategy for Altex Ltd. |
| 16 | Marketing / Consumer Behaviour | 2 | Easy | Internal influences on consumer behaviour (personal, psychological factors) |

Part II — Descriptive Portion (70 Marks)

Section A — Financial Management

| Q No. | Chapter / Topic | Marks | Difficulty | Key Concept Tested |
|-------|---|-------|---------------|---|
| 1(a) | Leverages — OL, FL, CL | 5 | Medium | Current sales level; operating, financial and combined leverage calculation |
| 1(b) | Cost of Capital — Convertible Debentures | 5 | Hard | Post-tax cost of debentures using PV method; redemption or conversion option |
| 1(c) | Dividend Policy / Ratio Analysis | 5 | Medium | Total dividend to equity, EPS, preference dividend rate, total PAT for Exe Ltd. |
| 2(a)* | Capital Budgeting — Machine Comparison | 7 | Hard | NPV of Machine M vs Machine N; wage savings, scrap savings, running costs, depreciation |
| 3(a)* | Dividend Policy — Walter's & Gordon's Model | 6 | Hard | EPS, MPS via Walter's Model; retention ratio for Rs.60 target; Gordon's optimal payout |
| 3(b)* | Working Capital — Cash Cycle & Discount | 6 | Hard | Cash cycle and minimum cash balance; 2% cash discount scheme net saving analysis |
| 4(a)* | Dividend Policy — MM Hypothesis | 4 | Medium | Assumptions of MM hypothesis without which it cannot hold |
| 4(b)* | Working Capital — Export Finance | 4 | Medium | Type of export finance; explain three forms (packing credit, bill discounting etc.) |
| 4(c)* | FM Overview — Profit vs Wealth Maximisation | 2 | Easy | Differences in objective, risk, time horizon and sustainability |

| | | | | |
|-------------|---------------------------------------|---|------|---|
| 4(c) OR* | Financial Instruments — Junk Bonds | 2 | Easy | Definition of junk bonds; why called high yield bonds |
|-------------|---------------------------------------|---|------|---|

* Optional questions — answer any 2 from Q2 to Q4

Section B — Strategic Management

| Q No. | Chapter / Topic | Marks | Difficulty | Key Concept Tested |
|-------------|--|-------|------------|--|
| 5(a) | Change Management — Lewin's 3-Step Model | 5 | Medium | Identify model; Unfreeze-Change-Refreeze phases; one-time or continuous process |
| 5(b) | Competitive Strategies — Focused Differentiation | 5 | Medium | Identify strategy for Pearl India Ltd.; explain focused differentiation; disadvantages |
| 5(c) | Corporate Strategy — Stability / Modernisation | 5 | Medium | Strategy for MM Company (maturity stage PLC); reasons; start-up perspective |
| 6(a)* | Business Environment — Product Characteristics | 5 | Medium | Inherent characteristics of business products under supply-demand market dynamics |
| 6(b)* | Corporate Level Strategies — BCG / Types | 5 | Medium | Expansion, Retrenchment, Stability, Growth identified via real company decisions |
| 7(a)* | Globalisation Strategy | 5 | Easy | Reasons companies globalise: market inadequacy, resource needs, barrier collapse |
| 7(b)* | Strategic Analysis — Channel Analysis | 5 | Medium | Concept of channels; importance of channel analysis in strategy; types of channels |
| 8(a)* | Strategic Uncertainty | 5 | Hard | How organisations deal with and manage strategic uncertainty |
| 8(b)* | Strategic Management — Objectives & Limitations | 5 | Medium | Overall objective of strategic management; limitations in turbulent environment |
| 8(b) OR* | Proactive vs Reactive Strategy | 5 | Medium | Differentiate proactive and reactive; importance of both in dynamic environment |

* Q5 compulsory; answer any 2 from Q6 to Q8

Chapter-wise Weightage Summary

Financial Management

| Chapter | MCQ Marks | Descriptive Marks | Total Marks | Weightage |
|-------------------------------|-----------|-------------------|-------------|-----------|
| Capital Structure & Leverages | 8 | 5 | 13 | 13% |

| | | | | |
|---|---|----|----|------------|
| Dividend Policy (MM, Walter, Gordon) | 0 | 15 | 15 | 15% |
| Working Capital Management | 2 | 10 | 12 | 12% |
| Cost of Capital | 4 | 5 | 9 | 9% |
| Capital Budgeting | 1 | 7 | 8 | 8% |
| Security Analysis — CAPM | 2 | 0 | 2 | 2% |
| FM Overview / Misc (Junk Bonds, Profit vs Wealth) | 0 | 2 | 2 | 2% |

Strategic Management

| Chapter | MCQ Marks | Descriptive Marks | Total Marks | Weightage |
|---|-----------|-------------------|-------------|------------|
| Competitive Strategies (Porter's Generic) | 2 | 10 | 12 | 12% |
| Proactive vs Reactive / Strategic Uncertainty | 2 | 10 | 12 | 12% |
| Business Environment & Consumer Behaviour | 4 | 5 | 9 | 9% |
| Corporate Level Strategies | 0 | 5 | 5 | 5% |
| Change Management (Lewin's Model) | 0 | 5 | 5 | 5% |
| Globalisation Strategy | 0 | 5 | 5 | 5% |
| Channel Analysis | 0 | 5 | 5 | 5% |
| Strategic Management — Mission / Vision | 4 | 0 | 4 | 4% |
| Strategic Analysis (7S Model, GE Matrix) | 3 | 0 | 3 | 3% |

Key Insights for Future Preparation

FM — Highest Priority: Dividend Policy (MM, Walter's, Gordon's) contributed 15 marks in descriptive alone. This is the single heaviest FM chapter this attempt. Capital Structure and Leverages came second with 13 marks total.

FM — Working Capital: Tested across three sub-questions (debtors management MCQ, cash cycle, export finance) for a combined 12 marks. Mix of numerical and theory.

FM — Capital Budgeting: Q2(a) machine comparison was the toughest individual question (7 marks) requiring NPV analysis with wage savings, scrap savings and running costs for two machines of different lives.

SM — Porter's Generic Strategies: The most tested SM topic at 12 marks — appeared in MCQ Q11, descriptive Q5(b) on focused differentiation, and Q5(c) on stability/modernisation.

SM — Proactive vs Reactive: Combined 12 marks across MCQ Q13, Q8(a) on strategic uncertainty, and Q8(b) OR. A topic many students underestimate.

Case-based MCQs dominated Part I: 20 out of 30 MCQ marks came from two case scenarios (XYZ Ltd. and Alex Motor Company). Reading comprehension and quick application skills are equally critical.

Difficulty Distribution: FM leaned Hard-Medium; SM leaned Medium-Easy. Scoring well in SM theory questions is essential to compensate for tough FM numericals.