

# CA Nitin Guru

Subject- **Financial Management - By CA NITIN GURU**

## **Mock Test – 5**

Financing Decisions – Leverages; Investment Decisions

Time: 1 Hour

M.M. – 20 Marks

### **Instructions-**

1. This is a self paced test series, where you can do the test anytime after you complete your chapter and attempt the test and email it to us for checking or self evaluation with help of the solution set provided. For video solutions and test paper to be checked please email us at email id provided below.
2. Answer Sheet is in a single pdf format.
3. First Sheet contains all the information- Name, Registered Email id, Registered Mobile No., Test Number with Subject, website name through which you are watching our class..
4. NO late submission will be entertained.
5. NO answer sheet will be accepted over a chat box or telegram or any other mode other than email.
6. Test solutions should be emailed to [test.canitinguru@gmail.com](mailto:test.canitinguru@gmail.com)
7. Please give us at least 10 working days time to check and send back your test copy.
8. Sir, will record test paper discussion video as well, which you can watch and clarify your doubts if you have any. Solution videos will be available on youtube and please join our telegram channel [@canitinguru](https://t.me/canitinguru) to be updated with any announcement about test discussion.

**Question 1.**

**[10 Marks]**

A firm has sales of Rs 85,00,000, variable cost is 56% and fixed cost is Rs 20,00,000. It has a debt of Rs 45,00,000 at 12% and equity of Rs 55,00,000. You are required to interpret the following:

- (i) The firm's ROI?
- (ii) Does it have favourable financial leverage?
- (iii) If the firm belongs to an industry whose capital turnover is 3, does it have a high or low capital turnover?
- (iv) The operating, financial and combined leverages of the firm?
- (v) If the sales is increased by 10%, by what percentage will EBIT increase?
- (vi) At what level of sales, the EBT of the firm will be equal to zero?
- (vii) If EBIT increases by 20%, by what percentage will EBT increase?

**Question 2.**

**[10 Marks]**

A company has Rs 1,00,000 available for investment and has identified the following four investments in which to invest.

Project	Investment (Rs)	NPV (Rs)
C	40,000	20,000
D	1,00,000	35,000
E	50,000	24,000
F	60,000	18,000

You are required to optimize the returns from a package of projects within the capital spending limit if-

- (i) The projects are independent of each other and are divisible.
- (ii) The projects are not divisible.