PART – I

(MCQ Portion)

30 Marks

- ***Answers to MCQs are to be marked on the OMR answer sheet as given on the cover page of the descriptive answer book of Section – A only. Answer to MCQs, if written inside the descriptive answer book shall not be evaluated.***
- ***Please write and darken correct Question paper booklet number in the OMR answer sheet. The correct Question paper booklet number must also be written in the attendance register.***

SECTION – A

PD = 2400/-

MPS = 20

1. Alpha Ltd. has equity shares of ₹ 10 each, whose current market price is ₹ 20 per share. Its paid up capital also consists of 3000 8% Preference shares of ₹ 100 each. Recent audited accounts show a profit (after 30% tax) of ₹ 2,94,000. Depreciation and amortization amounted to ₹ 51,000. Cost of equity share (K_e) ascertained to be 15%.

PAT

What would be the number of outstanding equity shares of the company ? **2**

(A) 88,000 shares

(B) 89,000 shares

(C) 90,000 shares

(D) 98,000 shares

PAT 294000
PD 2400
NI 291600
ke 15%

 S = 1944000

2. The following information is available from the books of RC Ltd. :

Net profit margin : 10% $\frac{NP}{Sales} \times 100 = 10\%$ $\frac{15L}{Sales} \times 100 = 10\%$

Total Assets : ₹ 100,00,000 Sales = 15000000

Return on Assets : 15% $\frac{EBIT}{Assets} \times 100$ 15%. $\frac{NP}{1,00,00,000} \times 100 = 15\%$

= 1500000 = NP

What would be the total asset turnover ratio ? 1

(A) 1.3

~~(B)~~ 1.5

(C) 1.7

(D) 1.9

CA − CL = 775000 $\frac{CA}{CL} = \frac{2}{1}$

3. XYZ company Ltd had a current ratio of 2:1 in the year 2025 and working capital of ₹ 7,75,000. In the year 2026, it is expected that its current assets will be increased by 15 per cent. The management of the company desires to change its current ratio from 2:1 in the year 2025 to 2.5:1 in the year 2026.

CA = 2CL

CL = 7.75L

CA = 15.5L

What would be the percentage change in current liabilities and working capital from year 2025 to year 2026 ?

2026 = ↑15%

CA = 1550000 (2025)

New CA = 17.825L 2

CA = 1782500 (2026)

(A) 8% Decrease in current liabilities and 36% Increase in working capital.

CL = 713000 (2026)

New CR = 2.5 : 1

~~(B)~~ 8% Decrease in current liabilities and 38% Increase in working capital.

$\frac{CA}{CL} = \frac{2.5}{1}$

WC = 1069500

(C) 8% Increase in current liabilities and 38% Increase in working capital.

CA = 2.5CL

(D) 8% Increase in current liabilities and 36% Increase in working capital.

CL = $\frac{17.825}{2.5}$

$\frac{1069500 - 775000}{775000}$ = 38% ↑

CL = 7.13

CL − 8↓

WC = 10.695

Case Scenario – I :

NPK Ltd. is a Start-up incorporated 2 years ago with a paid up equity capital of ₹ 20 lakhs and recognised by the Department for Promotion of Industry and Internal Trade (DPIIT). Start-up India initiative of the Government of India envisages for building up a robust start-up ecosystem in the country for nurturing innovation and providing opportunities to budding entrepreneurs. NPK Ltd. has been engaged in creating innovative solutions for the defence sector. NPK Ltd., being an eligible start-up applied for income tax holiday and got 100% tax exemption on profits for the coming three consecutive years.

NPK Ltd. has proposed to invest ₹ 800 lakh as capital cost in a project having life of 8 years. It would generate Earnings before Depreciation, Interest and Taxes (EBDIT) of ₹ 220 lakh per annum throughout the life of the project. Depreciation will be charged under Straight-Line Method and the same is allowable under the income tax rules. Under Seed Financing Scheme, a financial institution has sanctioned a loan of ₹ 800 lakh under a subsidised interest rate of 10 per cent per annum. The entire loan amount is repayable at the end of the life of the project.

After the three consecutive years of tax holiday, the tax rate applicable for NPK Ltd. will be 30 per cent.

Year	1	2	3	4	5	6	7	8
$PVIF_{7\%,t}$	0.935	0.873	0.816	0.763	0.713	0.666	0.623	0.582
$PVIF_{10\%,t}$	0.909	0.826	0.751	0.683	0.621	0.564	0.513	0.467

Based on the facts mentioned above relating to NPK Ltd., you are required to answer the following questions **4** to **8** :

4. What will be the net cash inflow after tax per year for the first three years of the life of the project ? **2**

Initial (800)

Interim EBIT 660 220

Dep 300 100

Int 280 80

CFAT 480 ~~140~~ 40 Tax @ 30% 12

CFAT 128

(A) ₹ 128 lakh

(B) ₹ 140 lakh

(C) ₹ 196 lakh

~~(D)~~ ₹ 220 lakh

Tax 220

CF DCF

(800) (800)

1044.42

5. What will be the net cash inflow after tax per year for 4^{th} year to 8^{th} year of the life of the project ? **2**

140	0.909	127.26
140	0.826	115.64
128	0.751	96.128

(A) ₹ 128 lakh

(B) ₹ 144 lakh

(C) ₹ 184 lakh

~~(D)~~ ₹ 193 lakh

6. What will be the Pay-Back Period of the project ? 2

(A) 3.76 years

(B) 4.86 years

(C) 5.06 years

(D) 5.72 years

7. What will be the Net Present Value (NPV) of the project ? 2

(A) ₹ 163.888 lakh

(B) ₹ 164.488 lakh

(C) ₹ 362.768 lakh

(D) ₹ 396.884 lakh

8. What will be the after tax cost of debt for the first 3 years and thereafter for the rest of the life of the project ? 2

(A) 7% for the first 3 years and thereafter 10%.

(B) 10% for the first 3 years and thereafter 7%.

(C) 10% for the first 3 years and thereafter 13%.

(D) 13% for the first 3 years and thereafter 10%.

PART – I
(MCQ Portion)

SECTION – B

9. A hospital declares that its purpose is to deliver accessible and compassionate healthcare services to all sections of society.

   (i) The statement reflects the philosophy of the hospital management that is perceived by its senior managers.

   (ii) The statement provides a glimpse of what the organization would like to become in future.

   (iii) The statement is designed to help potential shareholders and investors understand the purpose of the firm.

   (iv) The statement points out a particular direction, charts a strategic path to be followed in future and molding organizational identity.

   Which of the above statements relates to the vision statement of the hospital ? **2**

   (A) Only (i)

   (B) (ii) and (iv)

   (C) (i) and (iii)

   (D) (iii) and (iv)

10. According to the growth matrix proposed by Igor Ansoff, a company selected a growth option in which its knowledge of customer segment preferences changed, but product features remain largely unchanged.

Which strategy is most likely being pursued ? 1

(A) Market Development

(B) Product Development

(C) Diversification

(D) Market Penetration

11. "Vanguard Real Estate" is a massive property development firm. The CEO formulates an aggressive, 15-year strategic plan to build ultra-luxury skyscrapers across the country. However, this entire 15-year strategy is highly based on one massive, uncontrollable assumption: that the central bank will keep long-term interest rates below 4%. If interest rates rise above 4%, the borrowing costs for construction will instantly make Vanguard's business unviable. Knowing that a 15-year plan cannot simply be set in stone and ignored, Vanguard's Chief Financial Officer (CFO) establishes a dedicated "Risk Management Committee". The job of this committee is also to verify if the foundational economic assumptions of the 15-year plan remain valid over time. What specific type of strategic control is the CFO executing ? 2

(A) Strategic Surveillance

(B) Special Alert Control

(C) Implementation Control

(D) Premise Control

Case Scenario – II :

Jatin opened a shop with a wooden counter and two shelves at the corner of a narrow lane in a quiet neighbourhood. He sold some basic stationery and grocery items. Most of his customers were neighbours who appreciated the convenience, even though the selection of items was limited.

Although Jatin's shop was small, his approach was always customer-centric as he actively led the efforts on customer prioritization. He analyzed his customers well, studied their brand preferences and the groceries usually bought by them. He knew that customers are vital for the shop's existence as they provide revenue and resultant profits. His shop was known for neat displays, fair prices but more importantly trusted for transparent quality.

Once during the monsoons, when heavy rains disrupted the retail supply chains, many larger stores struggled to restock. However, Jatin's shelves remained fuller than many of them because he had built strong relationship with small suppliers and partnered with local farmers to source directly. He also offered discounts on certain items of daily use to his regular customers. As a result, his store gained popularity and customers even from nearby areas apart from the immediate neighbourhood also began visiting his store.

To cater to increasing growth, Jatin reinvested his earnings to expand his shelves by adding fresh vegetables, dairy products & other items of daily requirement and extended the store hours. With growth as the shop started lacking space, he acquired an adjacent shop thereby doubling his shop size.

However, with passage of time, competition intensified with big retail chains opening their supermarkets nearby. The new stores were fully air-conditioned with bright lights, several options and carried out extensive advertisements. Again, modern customers also started purchasing groceries through delivery apps offering discounts and same day delivery. As footfall declined Jatin faced a decrease in revenue and increasing pressure to modernize operations.

Jatin stayed calm and decided not to compete directly with the large retailers and the online platforms. He believed the ability to execute and make a real difference is more important than mere strategizing. Instead he responded by introducing small but meaningful novel ideas. He decided to provide personalized services to the neighbourhood. He remembered customer preferences and kept a regular track of customers' monthly purchases. He also started taking orders over the phone, popular messaging apps and introduced personalized home delivery for the existing elderly customers of the neighbourhood. Customers began preferring his shop despite higher prices because of its quality and specialized differentiated offerings. Over the years Jatin's shop grew in size combining the efficiency of modern retail stores with the warmth of a neighbourhood shop. Customers can now find almost everything they need under one roof.

Based on the above case scenario, choose the correct answer to Q. Nos. **12** to **16**.

12. Read the following statements from the above caselet :

(i) Jatin started taking orders over phone and introducing personalized home delivery for elderly customers. Reactive

(ii) Jatin acquired the adjacent shop as he lacked space and his store doubled in size.

(iii) Jatin's shelves were always full even during heavy rains as he partnered with local farmers to source directly and build strong relations with small suppliers.

(iv) Jatin reinvested his earning to expand his store shelves.

Which of the above options may be considered as a Proactive Strategy by Jatin's shop ? 2

(A) Only (i)

(B) (i) and (iv)

(C) Only (iii)

(D) (i), (ii), (iv)

13. The strategy adopted by Jatin to compete with large retailers and online platforms was 2

(A) Innovation strategy as novel ideas to reach out and service the customers were introduced.

(B) Stability strategy as Jatin stays with his current business.

(C) Market Development strategy as Jatin introduced personalized home delivery for the elderly customers.

(D) Product Development strategy like Jatin started taking orders on phone and messaging apps.

14. What was the strategy adopted by Jatin and what benefit did he get when he decided to provide personalized services to the customers of the neighbourhood ? **2**

 (A) Differentiation strategy as he was able to enhance brand image.

 (B) Focused strategy as he was able keep competitors away by providing expert services.

 (C) Diversification strategy as he was able to expand his business.

 (D) Focused differentiation strategy as he was able to build strong customer loyalty leading to higher profit margins.

15. Which of the statements below, can be inferred from the reading of the caselet ? **2**

 (A) Small enterprises cannot compete effectively with big enterprises.

 (B) Organizations can plan for all the changes in market dynamics.

 (C) Effective leaders thrive in uncertainty with focused execution.

 (D) Customers are always cost conscious.

16. **Assertion (A)** : Customer analysis is an essential marketing component of strategic business plans.

 Reason (R) : Consumer decision making is affected by psychological factors internal to customer. **2**

 (A) Both (A) and (R) are true, and (R) is a correct explanation of (A).

 (B) Both (A) and (R) are true, and (R) is not the correct explanation of (A).

 (C) (A) is true but (R) is false.

 (D) (A) is false but (R) is true.

PART – II

(Descriptive Portion)

70 Marks

(Candidates are required to give descriptive answers for this part inside the answer book)

1. ***Section – A Comprises questions 1-4. In Section – A, answer question No. 1 which is compulsory and any 2 questions from Question Nos. 2-4.***

   Section – B Comprises questions 5-8. In Section – B, answer question No. 5 which is compulsory and any 2 questions from Question Nos. 6-8.

2. ***Working notes should form part of the answer.***

3. ***Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.***

4. ***Answers to Questions of Part – I (i.e. MCQ) are to be marked on the OMR answer sheet given on the cover page of descriptive answer book of Section – A only. Answers to questions in Part – II are to be written in their respective descriptive answer book. Answers to MCQs, if written inside the descriptive answer book will not be evaluated.***

SECTION – A

1. (a) ABC Company Ltd. has witnessed substantial growth during recent past. On a year to year basis comparison, it has been observed that in the year 2025-26, Sales and Earnings before Interest and Taxes (EBIT) of the company would be increased by 10% and 20% respectively coupled with an increase in Earnings Per Share (EPS) from ₹ 15 to ₹ 18. **2+1+1+1 =5**

20% ↑

$\frac{18-15}{15} \times 100$

In the Year 2026-27, the management of the company is planning for an expansion that will require a capital investment of ₹ 50,00,000. The management has decided to raise the amount entirely by issue of 14% Debentures of ₹ 100 each at par. The expected EBIT of the company after expansion will be ₹ 35,00,000.

Required :

(i) Calculate operating and financial leverage of the company on year to year basis comparison. % formulas

(ii) Determine the amount of debt capital in the capital structure of the company in the year 2025-26.

(iii) Calculate financial leverage of the company after expansion.

(iv) When the cost of debt capital is more than the return on investment, will it be beneficial for the company to use debt capital in its capital structure ? 1+1+1+1+1=5

(b) GPL Company Limited has furnished the following ratios and information for the year ended 31st March, 2026.

COGS / Avg Inv

Sales/365 × 36.5

Inventory Turnover Ratio (Based on cost of goods sold)	8 times
Trade Debtors Velocity	36.5 days
Gross Profit Ratio GP/Sales × 100	25%
Debt Equity Ratio Equity Debt/Equity	1:3
Capital Gearing Ratio CSC	40%
Preference Share Capital	₹ 7,50,000

Additional information :

All sales were on credit. Average Trade Debtors exceeded Average Inventory by ₹ 1,81,250. Assume 365 days in a year.

Avg. T/D > Inv 181250

You are required to calculate :

(i) Credit sales

(ii) Cost of goods sold

(iii) Average inventory

(iv) Average Debtors

(v) Proprietary Fund

(c) PQR Company Ltd. has applied for a short term loan to a commercial bank for financing its working capital requirement. **5**

The following figures for the 12 months ending 31st March, 2026 are given to ascertain the requirement of working capital of the company on a cash cost basis.

Sales at 2 months credit	₹ 30,00,000
Materials consumed (suppliers credit is for 2 months)	₹ 7,50,000

Total wages (Paid at the beginning of next month)	₹ 6,00,000
Manufacturing expenses outstanding at the end of this year. These expenses are paid one month in arrears.	₹ 67,500
Total administration expenses	₹ 1,95,000
Sales promotion expenses paid quarterly and in advance	₹ 1,00,000
Rate of gross profit	20%
Cash is to be held to the extent of 50% of current liabilities	
Safety margin to be maintained	15%
These will be no work-in-progress	
Stock of Raw Materials and finished goods are kept at one month's requirement.	

You are required to prepare an estimate for the requirement of the working capital of the company on cash cost basis for the period ending 31st March, 2026.

unlevered

2. (a) A Ltd. and B Ltd. both the companies belong to the same risk-class and are identical in all respect except that A Ltd. has no debt capital, while B Ltd. has 60,000, 12.5% Debentures of ₹ 100 each. The earnings before interest and taxes of each company is ₹ 19,50,000. The equity capitalisation rate of A Ltd. is 15 per cent. Corporate tax rate is 30 per cent. 30% **2+2+3=7**

Considering M-M approach with tax, you are required to :

$V_L = V_{UL} + $ PV of Int Tax shield

(i) Determine the total market value of A Ltd. and B Ltd.

(ii) Calculate equity capitalisation rate of B Ltd.

(iii) Calculate overall cost of capital of A Ltd. and B Ltd.

(b) The shares of PK Company Limited and BK Company Limited are traded in the market. Analysts believe that both securities are correctly priced according to the CAPM. The following information have been provided : **1+1+1=3**

Securities	Beta (β)	CAPM expected return (R_e)
PK Company Limited	0.8	12%
BK Company Limited	1.4	15%

You are required to calculate :

$R_e = R_f + \beta(R_m - R_f)$

(i) Risk Free Rate (R_f)

(ii) Market Risk Premium (MRP)

(iii) Expected Return on Market Portfolio (R_m)

3\. (a) Auto Industries Limited manufactures auto components on lathe machine which has a book value of ₹ 1 lakh. The machine being depreciated at 20% has another five years of its useful life remaining but can be sold for ₹ 25,000 today. Auto Industries Limited is contemplating to replace this machine with a new one which delivers more output and is cost efficient too. The New cost of the machine is ₹ 4 lakh with a life of five years and depreciation of 20%. The company estimates that with the new machine, it will be able to make extra sales of ₹ 0.50 lakh and save cost by ₹ 0.75 lakh for the next five years. With the increased sales, the requirement of working capital would also change and the company would need ₹ 30,000 more. 6

	Old	New
Initial	1L	4L
Dep	20%	20%
Useful	5yr	5yr
Sales		50K
Cost save		75K
Add WC		30K
Terminal		50K → A/R
Tax @ 25%		

At the end of the five years the benefits of increased revenue and decreased cost will aggregate to ₹ 50,000 p.a. for indefinite time. The company has WACC (Ko) of 15% and pays taxes at 25%.

Given present value of annuity of ₹ 1 for 5 years @15% is 3.3521.

Present value of ₹ 1 @15% for 5th year is 0.4971.

Advise the management of the company whether the machine should be replaced or not ?

(b) The following information is available from RST Company Ltd : 2+2 =4

No. of equity shares outstanding	2,50,000 shares
10% long term debt	₹ 10,00,000 Int = 10L × 10% = 1L
10% Pref. shares of ₹ 10 each	₹ 2,00,000 PD = 2L × 10% = 20K
Fixed Cost	₹ 50,000
Variable cost ratio	60% of sales
Tax rate	25%

You are required to determine the amount of sale assuming that :

ulta (i) All earnings are wiped out by the payment of interest and preference dividend; and

(ii) EPS = ₹ 3

4. (a) Under which circumstances raising funds through the issue of debentures is advantageous for a company ? Discuss. 4

(b) Explain the main features of Miller-Orr Cash Management Model for a business concern. 4

(c) Explain the key responsibilities of a Finance Executive in modern business world. 2

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265000

26667
− 6667
20000

OR

(c) Describe any two features of green bond.

PART – II
(Descriptive Portion)

SECTION – B

5. (a) Legacy Electronics Ltd. was once a market leader in consumer appliances and enjoyed a loyal customer base. However, increased competition, outdated product offerings, rising costs, and changing consumer expectations have adversely affected the company's performance. Over the past five years, the company has reported declining sales, continuous losses, and reduced market share. Several manufacturing facilities are operating inefficiently, while financial pressures have limited investment in innovation and marketing. Concerned about the organization's future, the management team is seeking a structured approach to revive the company's performance and restore sustainable profitability. **1+4 =5**

State the key problems involved and suggest the major components of an action plan that management should implement to improve the company's condition and achieve long-term recovery.

(b) NewGlow Herbals, a company producing premium herbal cosmetics, sold their products mainly through large supermarket chains and online retail platforms. Recently the company started facing pressure from major retailers who demanded a reduction of prices. They argue that since customers are highly price sensitive they would have to replace NewGlow Herbals products with cheaper alternative brands. In order to stay competitive, NewGlow Herbals though reluctant, was forced to reduce the maximum retail prices. **1+3+ 1=5**

Identify the competitive force faced by NewGlow Herbals. When is this force evident ? How does this force influence the competitive condition of the industry ?

(c) NextPro Education Services has gained popularity through its classroom-based professional training programs. The organization is considering entering into international markets through a fully online certification platform. It has experienced faculty members, a strong reputation, and extensive course content. However, it has limited experience in international operations and online platform management. The increasing demand for remote learning creates new growth possibilities, while global competition and changing learner preferences present challenges. The management seeks a detailed evaluation before making a strategic decision, through a SWOT analysis approach. 1+4 =5

(i) Briefly describe what SWOT Analysis is.

(ii) Evaluate the factors that can affect the above proposed plan through the SWOT Analysis framework.

6. (a) A well-crafted corporate mission not only provides an organisation with its special identity but also serves as a justification for its existence. Elaborate on the primary reasons why an organisation must establish a mission. Furthermore, explain how management expert Peter Drucker advises firms to answer the fundamental question 'what business are we in ?' 4+1 =5

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(b) A company's most profitable business is not receiving the highest investment allocation, while another less profitable business is receiving substantial resources. Explain how BCG Matrix may justify such a seemingly contrasting decision. 4+1 =5

7. (a) A company's success depends on how effectively it manages value creation through various linked activities before the sale, during the sale, and after the sale. Weakness in any one stage can negatively affect the overall customer experience. Explain this statement using an appropriate strategic framework. 1+3+1=5

(b) In today's competitive landscape, effective strategic leaders must deal with rapid, complex changes and diverse competitive situations. Define what constitutes a 'managerial frame of reference' and explain its significance. Furthermore, list any six specific responsibilities of a strategic leader. 2+3=5

8. (a) "A core competency for a firm is whatever it does best." Explain the concept of core competency. What are the conditions required to be met for a company to regard its competence as core competency ? 2+3=5

(b) For any organization undergoing a digital transition, change management is crucial. Define what digital transformation enables an organization to do, and define the process of change management itself. Furthermore, enumerate the five specific ways a properly implemented change management strategy can help an organization, and explain why change management gains more importance in current times. 1+3+1=5

OR

(b) Explain what SPM is and how it helps eliminate silos within an organization. Describe the specific insights provided by various strategic performance measures. 2+3 =5
