

Mock Test Paper - Series I: March 2026

Date of Paper: 27th March, 2026

Time of Paper: 10 A.M. – 1 P.M.

INTERMEDIATE: GROUP – II

PAPER – 6A : FINANCIAL MANAGEMENT & STRATEGIC MANAGEMENT

PAPER 6A: FINANCIAL MANAGEMENT

Time Allowed – 3 Hours (Total time for 6A and 6B)

Maximum Marks – 50

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises Case Scenario based Multiple Choice Questions (MCQs)*
3. *Part II comprises questions which require descriptive type answers.*
4. *Working note should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note. However, in answers to Questions in Division A, working notes are not required.*

PART I – Case Scenario based MCQs (15 Marks)

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

Case Scenario

XYZ Limited is a mid-sized manufacturing company operating in the industrial equipment sector. The company has been in operation for over 15 years and has established a strong market presence. As part of the annual financial review, the CFO has tasked you, a financial analyst, with analyzing the company's capital structure, determining the cost of capital components and evaluate a proposed investment project. The finance team has compiled the following information from the company's latest financial statements and market data:

Balance Sheet Data (Book Values)

- **Equity Share Capital:** ₹ 15 lakhs
- **Reserves & Surplus:** ₹ 5 Lakhs
- **Book Value of Debt:** ₹ 10 lakhs

Market Data

The market has assigned different valuations to the company's securities:

- **Market Value of Equity:** The current market valuation of equity is 3 times its book value
- **Market Value of Debt:** The current market valuation of debt is 2 times its book value

Weighted Average cost of capital(WACC)

The finance team has calculated the Weighted Average cost of capital of the firm under two different approaches:

1. **As per Book Value:** 10%
2. **As per Market Value:** 10.5%

The company is considering a new project requiring an initial investment of ₹ 20 lakhs. The project has the following additional features:

- **Working Capital Requirement:** ₹ 3 lakhs (fully recoverable at end of Year 3)
- **Salvage Value:** ₹ 2 lakhs (end of Year 3)
- **Depreciation:** Straight-line over 3 years.

Expected Cash Inflows (before depreciation & tax):

Year	Cash Inflows (₹ lakhs)
1	8
2	9
3	10

Assume the tax rate is 25% and the investment rate is 2% more than the Pre tax cost of debt. The project is evaluated based investment rate.

	Year 1	Year 2	Year 3
6%	0.943	0.890	0.840
8%	0.926	0.857	0.794
10%	0.909	0.826	0.751
12%	0.893	0.797	0.712

You are required to answer the following questions (MCQs 1 to 5):

1. Cost of equity is –
 - (a) $K_e = 6\%$
 - (b) $K_e = 8\%$
 - (c) $K_e = 12\%$
 - (d) $K_e = 10\%$
2. Cost of debt is –
 - (a) $K_d = 12\%$
 - (b) $K_d = 10\%$
 - (c) $K_d = 12\%$
 - (d) $K_d = 6\%$
3. The Net Present Value (NPV) of the project is –
 - (a) ₹ 1.35 lakhs
 - (b) -₹ 0.55 lakhs
 - (c) ₹ 1.14 lakhs
 - (d) -₹ 0.95 lakhs
4. The Profitability Index (PI) of the project is –
 - (a) 1.05
 - (b) 1.08
 - (c) 1.10
 - (d) 0.98
5. The Discounted Payback Period is approximately –
 - (a) 2.32 years
 - (b) 2.60 years
 - (c) 2.95 years
 - (d) 2.89 years

(5 x 2 = 10 Marks)

6. The capital structure of JKL Limited consists of 12% debentures of ₹ 50 lakhs, 10% preference shares of ₹ 25 lakhs, 14% term loan of ₹ 15 lakhs and equity share capital of ₹ 48 lakhs. Its reserves & surpluses are ₹ 24 lakhs. What would be the capital-gearing ratio?

- (a) 1.04
- (b) 1.25
- (c) 1.33
- (d) 1.56

(2 Marks)

7. The following information is given for QB Ltd.

Earnings per share	₹ 180
Dividend per share	₹ 45
Cost of capital	17%
Internal Rate of Return on investment	20%

What is the market price per share using Walter's formula:

- (a) ₹ 1,200
- (b) ₹ 1,800
- (c) ₹ 2,250
- (d) ₹ 1,960

(2 Marks)

8. A firm has sales of ₹ 75,00,000, variable cost of ₹ 42,00,000 and fixed cost of ₹ 6,00,000. It has a debt of ₹ 45,00,000 at 9% and equity of ₹ 55,00,000. Does it have favourable financial leverage?

- (a) ROI is less than interest on loan funds and hence it has no favourable financial leverage.
- (b) ROI is equal to interest on loan funds and hence it has favourable financial leverage.
- (c) ROI is greater than interest on loan funds and hence it has favourable financial leverage.
- (d) ROI is greater than interest on loan funds and hence it has unfavourable financial leverage.

(1 Marks)

PART II – Descriptive Questions (35 Marks)

Question No. 1 is compulsory.

*Attempt any **two** questions out of the remaining **three** questions.*

1. (a) The following information pertains to P Limited for the year ended 31st March, 2025:

Particulars	Amount
Sales	₹ 3,60,00,000
Rate of Income Tax	40%
Return on Net Worth	30%
Share Capital to Reserves Ratio	6 : 4
Current Ratio	2 : 1
Percentage of Net Profit to Sales	8%
Inventory Turnover (based on cost of goods sold)	12
Cost of goods sold	₹ 1,44,00,000
Sundry Debtors	₹ 12,00,000
Sundry Creditors	₹ 16,00,000
Interest on 14% debentures	₹ 3,36,000

You are required to CALCULATE:

- (i) Operating Expenses
 - (ii) Share Capital and Reserves
 - (iii) Closing Stock
 - (iv) Fixed Assets **(5 Marks)**
- (b) Mr. Raman, a portfolio manager, is analyzing a set of securities using the **Capital Asset Pricing Model (CAPM)**. He has gathered the following information:

Security	Beta	CAPM Return
A Ltd	1.2	15.20%
B Ltd	0.8	12.80%
C Ltd	1.1	?
Cash in hand	?	Nil
Treasury Bill	?	?
Stock Market i.e. Nifty	?	?

- (i) Complete the above table with all missing values.
- (ii) CAPM explains the relationship between systematic risk and expected return on a security. DISCUSS the nature of the relationship between Beta and expected return under CAPM. **(5 Marks)**

- (c) A company wants to invest in a machinery that would cost ₹ 50,000 at the beginning of year 1. It is estimated that the net cash inflows from operations will be ₹ 18,000 per annum for 3 years, if the company opts to service a part of the machine at the end of year 1 at ₹ 10,000. In such a case, the scrap value at the end of year 3 will be ₹ 12,500. However, if the company decides not to service the part, then it will have to be replaced at the end of year 2 at ₹ 15,400. But in this case, the machine will work for the 4th year also and get operational cash inflow of ₹ 18,000 for the 4th year. It will have to be scrapped at the end of year 4 at ₹ 9,000. Assuming cost of capital at 10% and ignoring taxes, will you RECOMMEND the purchase of this machine based on the net present value of its cash flows?

If the supplier gives a discount of ₹ 5,000 for purchase, WHAT would be your decision? (The present value factors at the end of years 0, 1, 2, 3, 4, 5 and 6 are respectively 1, 0.9091, 0.8264, 0.7513, 0.6830, 0.6209 and 0.5644). **(5 Marks)**

2. (a) Zanshu Ltd. is an all equity financed company with a market value of ₹ 25,00,000 and cost of equity (K_e) 21%. The company wants to buyback equity shares worth ₹5,00,000 by issuing and raising 15% perpetual debt of the same amount. Rate of tax may be taken as 30%. After the capital restructuring and applying MM Model (with taxes), you are required to CALCULATE:

- (i) Market value of Zanshu Ltd.
- (ii) Cost of Equity (K_e)
- (iii) Weighted average cost of capital (using market weights) and comment on it. **(6 Marks)**

- (b) The following particulars are related to PQR Ltd:

Sales ₹ 1,50,00,000

Variable Cost ₹ 84,00,000

Fixed Cost ₹ 12,00,000

The company has borrowed ₹ 90,00,000 at 10% and its equity capital is ₹ 1,10,00,000.

You are required to CALCULATE:

- (i) Return on Investment (ROI).
- (ii) Operating and Financial Leverages.
- (iii) Combined Leverage.
- (iv) Earnings Before Interest and Taxes (EBIT), if the sale is dropped to ₹ 1,00,00,000. **(4 Marks)**

3. Being a financial controller of Shilpa Limited, they have provided you with the debt collection policy of the debtors' ageing analysis as on the date of analysis –

Name of Customers	Current	31 – 60 Days	61 – 90 Days	91 or More Days	Total
Customer A	3,12,500	1,05,000	-	-	4,17,500
Customer B	-	-	3,11,200	-	3,11,200
Customer C	6,81,600	-	-	-	6,81,600
Customer D	-	-	-	1,62,000	1,62,000
Customer E	-	<u>3,01,500</u>	<u>2,10,000</u>	<u>38,000</u>	<u>5,49,500</u>
	9,94,100	4,06,500	5,21,200	2,00,000	21,21,800

Collection Policy –

- (a) Normal Credit terms are for 30 days
- (b) Interest of 2% is charged on accounts overdue for 45 days
- (c) Interest of 4% is charged on accounts overdue for more than 75 days
- (d) Cash Discount of 2% is given to customers who make payment within 10 days of invoice getting due.

Additional Information –

- (a) 40% of the invoice value after bad debt falling in the ageing criteria of 31-60 days' pay after 45th day but pay within the 60th day with 1.5% of the total being uncollectible
- (b) 25% of the invoice value after bad debt falling in the ageing criteria of 61-90 days' pay after 75th day but pay within the 90th day with 3% of the total being uncollectible.
- (c) 15% of the total invoice value overdue for 91 days or more are uncollectible.
- (d) 50% of the customers (invoice value) avail the cash discount.

- (e) Administration cost for managing the above customers would also be involved amounting to ₹ 50,000.
 - (i) CALCULATE the effective cost involved in the collection process assuming that the operating cost of sales ratio is 0.75.
 - (ii) EXPLAIN three aspects of management of receivables. **(10 Marks)**
- 4. (a) "The profit maximization is not an operationally feasible criterion." COMMENT on it. **(4 Marks)**
- (b) EXPLAIN any four types of Preference Shares along with its Salient Features. **(4 Marks)**
- (c) A company is analyzing its risk profile using combined leverage. It observes that its Degree of Operating Leverage (DOL) is low while its Degree of Financial Leverage (DFL) is high. The management believes this combination helps balance overall risk. Based on the concept of combined leverage, EXPLAIN whether this is a suitable risk combination and JUSTIFY your answer briefly. **(2 Marks)**

OR

- (c) Pecking order theory suggests that managers may use various sources for raising of fund in an order. EXPLAIN the preferred order of financing sources suggested by this theory. **(2 Marks)**

PAPER 6B: STRATEGIC MANAGEMENT

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises case scenario based multiple choice questions (MCQs)*
3. *Part II comprises questions which require descriptive answers.*

PART I – Case scenario based MCQs (15 Marks)

1. (A) (Compulsory)

1. (A) PlaySphere Interactive was founded in Bangalore in 2010 as a small startup developing mobile puzzle games for local users. For several years, its growth remained modest, as the Indian gaming industry was still in its infancy.

In 2015, the new CEO redefined the company's vision as "To be India's leading creator of immersive gaming experiences," and its mission as "To design culturally relevant games with global quality." This gave PlaySphere both long-term direction and concrete operational purpose.

The company's breakthrough came when it launched a fantasy role-playing game, MythQuest, based on Indian mythology. Within a year, it reached millions of downloads. Success was partly due to its core competitive advantage an in-house game engine optimized for low-bandwidth conditions, which allowed seamless multiplayer play. This helped PlaySphere survive intense industry rivalry and the threat of substitutes from foreign gaming platforms, both of which are key forces in Porter's Five Forces model.

As player volumes increased, PlaySphere benefited from the experience curve costs per unit declined as developers became more efficient and processes standardized. This improved profitability despite rising competition.

To manage its expanding portfolio, the company restructured into two Strategic Business Units (SBUs): Mobile Games (casual and puzzle titles) and Immersive Games (RPGs and multiplayer). Each SBU was given autonomy for faster decision-making, while the corporate office focused on resource allocation.

Leadership also played a role. The CEO adopted a participative leadership style, involving development teams in key creative and technical decisions, which boosted morale and innovation.

In 2020, sudden regulations on in-app purchases threatened revenues. PlaySphere responded using special alert control, adjusting its monetization models quickly to stay compliant. At the same time, it relied on premise control to

monitor assumptions about growth in internet penetration and youth demographics, ensuring its strategies remained valid.

Today, PlaySphere stands as one of Bangalore's fastest-growing gaming companies, with revenues crossing ₹ 4,000 crore, symbolizing how strategic clarity and adaptive execution can turn a startup into a national leader.

Based on the above Case Scenario, answer the Multiple-Choice Questions.

- (i) PlaySphere's declaration "To be India's leading creator of immersive gaming experiences" is best classified as which element of strategic intent, and why?
- (a) Mission – because it defines operational purpose
 - (b) Objective – because it is short-term and measurable
 - (c) Vision – because it describes long-term aspirations
 - (d) Corporate Strategy – because it defines resource allocation
- (2 Marks)**
- (ii) The success of MythQuest despite foreign competitors highlights which forces from Porter's Five Forces model that PlaySphere managed to withstand?
- (a) Bargaining Power of Suppliers and Threat of New Entrants
 - (b) Industry Rivalry and Threat of Substitutes
 - (c) Bargaining Power of Buyers and Threat of New Entrants
 - (d) Industry Rivalry and Bargaining Power of Suppliers
- (2 Marks)**
- (iii) As PlaySphere scaled up, development costs per unit declined due to learning efficiencies and process standardization. Which strategic management concept explains this phenomenon?
- (a) Economies of Scale
 - (b) Value Chain Analysis
 - (c) Experience Curve
 - (d) Cost Leadership
- (2 Marks)**

- (iv) The restructuring of PlaySphere into two SBUs (Mobile Games and Immersive Games) represents which level of strategy, and how does it help execution?
 - (a) Functional-level – focuses on departmental activities
 - (b) Corporate-level – manages a portfolio of businesses
 - (c) Business-level – defines competitive positioning in one industry
 - (d) Operational-level – deals with day-to-day activities **(2 Marks)**
- (v) When regulations on in-app purchases suddenly changed, PlaySphere applied which type of strategic control and why?
 - (a) Premise Control – checking underlying assumptions
 - (b) Implementation Control – tracking key projects
 - (c) Special Alert Control – responding to sudden events
 - (d) Strategic Surveillance – scanning broad signals **(2 Marks)**

(B) Compulsory Application Based Independent MCQs

- (i) Bright Screens' LED TV division has high market share in a fast-growing electronics segment. It invests heavily in advertising and R&D to stay ahead of competitors. How should this division be classified in the BCG Matrix?
 - (a) Dog
 - (b) Star
 - (c) Cash Cow
 - (d) Question Mark **(2 Marks)**
- (ii) A company has strong R&D capability, but competitors can easily replicate its products. However, its organisational culture enables continuous innovation which competitors cannot imitate. What is MOST likely the firm's core competency?
 - (a) R&D capability
 - (b) Product design
 - (c) Organisational culture enabling innovation
 - (d) Manufacturing efficiency **(2 Marks)**

- (iii) What is the critical final step in Kurt Lewin's three-step model for institutionalizing organizational change?
- (a) Unfreeze (Creating the motivation to change)
 - (b) Change (Implementing the new processes)
 - (c) Refreeze (Stabilizing the change by institutionalizing new norms)
 - (d) Innovate (Creating a brand-new process) **(1 Mark)**

PART II – Descriptive Questions (35 Marks)

Question No. 1 is compulsory.

*Attempt any **two** questions out of the remaining **three** questions.*

1. (a) A strategic analyst wants to study the competitive positioning of companies in the smartphone industry based on price range and product features. Explain how the analyst can use Strategic Group Mapping to analyse the industry. Also, state the insights that can be derived from such a map. **(5 Marks)**
- (b) A Mumbai-based conglomerate, PQR Ltd., has announced a major restructuring of its business operations. The company has decided to split its business into four separate units: Manufacturing, Retail, Services, and Technology. Each unit will operate as a separate business, with delegated responsibility for day-to-day operations and strategy to the respective unit managers. Identify the organization structure that PQR Ltd. has planned to implement. Discuss any four attributes and the benefits the firm may derive by using this organization structure. **(5 Marks)**
- (c) GreenHarvest Foods, a well-established organic food company in the domestic market, is planning to expand globally. As part of its international strategy, the company is introducing region-specific organic products by adapting ingredients, flavours and packaging to suit local consumer preferences in different countries. Through this approach, GreenHarvest Foods aims to cater to diverse markets and strengthen its global footprint. Which expansion strategy from Ansoff's Product-Market Growth Matrix best aligns with GreenHarvest Foods' approach? **(5 Marks)**
2. (a) "A well-defined vision and mission statement provide direction and purpose to an organization." Explain the significance of vision and mission statements in strategic planning. **(5 Marks)**

- (b) "A close and continuous interaction between a business and its environment helps in strengthening the business firm and using its resources more effectively." Explain Business environment and discuss how does the interaction between a business and its environment helps the business firm. **(5 Marks)**
3. (a) Write a short note on the Key Strategic Drivers of an organization. **(5 Marks)**
- (b) "International development is expensive and challenging". In the context of the statement, explain the internationalization of business and the steps involved in such strategic planning. **(5 Marks)**
4. (a) Explain the 'product market growth matrix' as propagated by Igor Ansoff as a device for identifying growth opportunities for the future. **(5 Marks)**
- (b) Why Strategic Performance Measures are essential for organizations?

OR

Why is change management crucial during digital transformation, and what are some key strategies for navigating change effectively? **(5 Marks)**