Mock Test Paper - Series I: July, 2026

Date of Paper: 5th August, 2026

Time of Paper: 10 A.M. to 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 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

Jennie Components Ltd. is a leading manufacturer of industrial metal sheets and precision-engineered components supplied to automobile, infrastructure, and construction companies across India. Over the last few years, the company has expanded its production capacity significantly due to rising demand from electric vehicle manufacturers and large-scale infrastructure projects. However, the manufacturing operations of the company generate substantial quantities of metal scrap and chemical waste as a by-product of the production process.

At present, the company disposes of the waste through an external waste-management agency and incurs disposal charges of ₹ 0.50 per kilogram. Under normal operating conditions, the company generates approximately 20,00,000 kilograms of waste annually. Recently, increasing environmental compliance requirements and rising waste-management costs prompted the management to explore whether the waste material could be commercially utilized instead of being discarded.

After conducting detailed technical research and laboratory testing involving an expenditure of ₹ 12,00,000, the company's technical team discovered that the waste could be processed further and converted into reusable industrial filler material used in cement, paint, and construction chemical industries. Market surveys conducted by the marketing department indicated strong demand for the processed material, and management expects that the entire quantity processed each year can be sold without any difficulty at a selling price of ₹ 5 per kilogram.

The proposed further-processing activity would require installation of a specialized processing machine costing ₹ 1,20,00,000. The machine is expected to have a useful life of 10 years with no salvage value at the end of its life. Depreciation on the machine would be charged under the straight-line method. The processing activity would involve additional variable processing cost of 2.50 per kilogram along with annual advertising expenditure of ₹ 4,00,000 and additional fixed operating expenses of ₹6,00,000 per annum, excluding depreciation.

The Finance Director CA K. Aananda informed the Board that the company's cost of capital is 15% and the applicable corporate tax rate is 50%. The present value annuity factor for ₹ 1 for 10 years at 15% is 5.019. The management further clarified that there would be no loss of quantity during processing and all annual cash flows are expected to occur at the end of each year.

The Board of Directors has requested the finance team to evaluate the financial viability of processing the waste further instead of disposing it externally and advise whether the proposal would enhance shareholders' wealth.

1. What will be the annual incremental contribution before depreciation and tax from processing the waste further?

   (a) ₹ 40,00,000

   (b) ₹ 45,00,000

   (c) ₹ 50,00,000

   (d) ₹ 50,50,000

2. What will be the annual after-tax cash inflow from the further-processing proposal?

   (a) ₹ 24,00,000

   (b) ₹ 27,00,000

   (c) ₹ 31,00,000

   (d) ₹ 38,00,000

3. What will be the Present Value of annual after-tax cash inflows from the proposal?

   (a) ₹ 1,32,57,000

(b) ₹ 1,55,58,900

(c) ₹ 1,44,82,500

(d) ₹ 1,67,25,000

4. What will be the Net Present Value (NPV) of the further-processing proposal?

   (a) ₹ 15,58,900

   (b) ₹ 24,00,000

   (c) ₹ 35,58,900

   (d) ₹ 47,50,000

5. What will be the Profit Before Tax (PBT) generated annually from the further-processing proposal after considering depreciation?

   (a) ₹ 25,00,000

   (b) ₹ 32,00,000

   (c) ₹ 38,00,000

   (d) ₹ 44,00,000 **(5 x 2 = 10 Marks)**

6. Total Assets & Current Liabilities of Suyash Limited are ₹ 45 lakhs & ₹ 5 lakhs respectively. ROCE is 20%, measure of business operating risk (operating leverage) is 3, and P/V ratio is 80%. Calculate Sales.

   (a) 18 lakhs

   (b) 30 lakhs

   (c) 24 lakhs

   (d) 32 lakhs **(2 Marks)**

7. Kiran Industries Ltd. has issued bonds with a face value of ₹ 1,00,000 at an annual coupon rate of 7%. The bonds are currently trading at 93% of their face value. What is the approximate cost of debt for the company before taxes?

   (a) 7.00%

   (b) 7.53%

   (c) 8.00%

   (d) 6.65% **(2 Marks)**

8. Meera Enterprises is considering changing its capital structure by increasing its debt ratio from 30% to 50%. What is the likely impact on the company's cost of equity, assuming all other factors remain constant?

(a) Cost of equity will be unaffected by debt ratio

(b) Cost of equity will remain unchanged

(c) Cost of equity will decrease

(d) Cost of equity will increase **(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) Following data is available in respect of two companies having same business risk:

Capital employed = ₹ 3,00,000, EBIT = ₹ 45,000 and K_e = 12.5%

Sources	A Ltd	B Ltd
	Levered Company (₹)	Unlevered Company (₹)
Debt (@10%)	1,50,000	Nil
Equity	1,50,000	3,00,000

An investor is holding 20% shares in levered company. CALCULATE the increase in annual earnings of investor if he switches his holding from Levered to Unlevered company. **(5 Marks)**

(b) Using the financial information provided below, calculate the Weighted Average Cost of Capital (WACC). Determine the WACC by applying both the book value weights and the market value weights and present the results separately for each method. Calculate the WACC using the following data by using:

The capital structure of the company is as under:

Particulars	**(₹)**
Debentures (₹ 100 per debenture)	5,00,000
Preference shares (₹ 100 per share)	5,00,000
Equity shares (₹ 10 per share)	10,00,000
	20,00,000

The current market prices of the company's securities are as follows: each debenture is quoted at ₹ 105, each preference share is trading at ₹ 110, and each equity share has a market price of ₹ 24."

Additional information:

(i) ₹ 100 per debenture redeemable at par, 10% coupon rate, 4% floatation costs, 10-year maturity.

(ii) ₹ 100 per preference share redeemable at par, 5% coupon rate, 2% floatation cost and 10-year maturity.

(iii) Equity shares has ₹ 4 floatation cost and market price ₹ 24 per share.

The next year expected dividend is ` 1 with annual growth of 5%. The firm has practice of paying all earnings in the form of dividend. Corporate tax rate is 30%. Use YTM method to calculate cost of debentures and preference shares.

(5 Marks)

(c) From the following financial data of Company A and Company B, PREPARE their Income Statements.

	Company A (₹)	**Company B (₹)**
Variable Cost	88,000	50% of sales
Fixed Cost	26,500	-
Interest Expenses	14,000	11,000
Financial Leverage	5 : 1	-
Margin of Safety	-	0.25
Income Tax Rate	30%	30%
EBIT	-	14,000

(5 Marks)

2. (a) Bright Vision Electronics Limited, a manufacturer of Colour Television sets, is considering the relaxation of its existing credit policy for three of its major customers, namely A, B, and C. The proposed credit periods and the estimated additional sales of Colour TV sets expected from these customers as a result of the revised credit terms are given below:

Quantity sold (No. of TV Sets)

Credit Period (Days)	**A**	**B**	**C**
0	1,000	1,000	-

30	1,000	1,500	-
60	1,000	2,000	1,000
90	1,000	2,500	1,500

The selling price per TV set is ₹ 9,000. The expected contribution is 20% of the selling price. The cost of carrying receivable averages 20% per annum.

You are required:

(a) Determine the credit period to be allowed to each customer.

(Assume 360 days in a year for calculation purposes).

(b) What other problems the company might face in allowing the credit period as determined in (a) above? **(7 Marks)**

(b) Determining the amount to be invested in current assets as working capital is a crucial policy decision for any entity. What FACTORS should a company consider when deciding the level of investment in working capital? **(3 Marks)**

3. (a) X Y Ltd. has a paid-up share capital of ₹ 1,00,00,000, face value of ₹ 100 each. The current market price of the shares is ₹ 100 each. The Board of Directors of the company has an agenda of meeting to pay a dividend of 50% to its shareholders. The company expects a net income of ₹ 75,00,000 at the end of the current financial year. Company also plans for a capital expenditure for the next financial year for a cost of ₹ 95,00,000, which can be financed through retained earnings and issue of new equity shares.

Company's desired rate of investment is 15%.

Required:

Following the Modigliani- Miller (MM) Hypothesis, DETERMINE value of the company when:

(i) It does not pay dividend and

(ii) It does pay dividend **(7 Marks)**

(b) The following financial information has been extracted from the records of M/s Durga & Co. as at 31st March, 2026:

Particulars	Amount / Ratio
Net Working Capital	₹ 4,80,000
Bank Overdraft	₹ 80,000
Fixed Assets to Proprietors' Fund Ratio	0.75 : 1

Reserves and Surplus	₹ 3,20,000
Current Ratio	2.5 : 1
Liquid (Quick) Ratio	1.5 : 1

Required:

Using the information provided above, prepare a Summarised Balance Sheet of M/s Durga & Co. as at 31st March, 2026, showing the major heads of assets and liabilities. **(3 Marks)**

4. (a) What is debt securitisation? Explain the basics of debt securitisation process.

(4 Marks)

(b) Operating leases and financial leases are traditionally the most important types of leases in financial management. However, in recent years, other types of leases have also gained significance due to their unique benefits and applications. IDENTIFY AND EXPLAIN at least four other types of leases that have become increasingly important in modern business practices. **(4 Marks)**

(c) The profit maximization is not an operationally feasible criterion." Comment on it.

(2 Marks)

OR

(c) EXPLAIN Financial Leverage as a 'Double edged Sword' **(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) Blue Horizon Travel (BHT), a boutique travel agency based in Singapore, has carved a niche by offering curated luxury travel experiences. However, with the rise of online travel aggregators and changing consumer behavior post-pandemic, BHT's growth has stagnated. To stay competitive, the management is rethinking its organizational structure and strategy while ensuring alignment with its core values and vision.

At the heart of its transformation is the company's emphasis on values. By prioritizing sustainability, cultural immersion and personalized service, BHT seeks to redefine tourism for modern travelers. Its vision is to become the top travel agency for sustainable luxury tourism in Southeast Asia by 2030. To support this vision, BHT is transitioning to a network organizational structure. This new model decentralizes decision-making and encourages collaboration between in-house experts, freelance travel consultants, and local tour operators. This structure enables BHT to respond quickly to customer needs while leveraging diverse expertise.

Additionally, BHT has integrated an hourglass organizational structure within its operations. While the management layer is lean, significant investment is made in customer-facing staff and the technology backbone. This ensures a seamless experience for clients while maintaining operational efficiency. Moreover, inbound logistics is now a critical value chain activity for BHT. By forming partnerships with sustainable transportation providers and local eco-friendly accommodation partners, the company enhances its competitive advantage. These efforts align with customer expectations and reinforce BHT's sustainability-driven brand.

To monitor its progress, BHT employs premise control, regularly assessing market trends and reviews internal performance metrics. This allows the company to make proactive adjustments to its strategies and ensure alignment with its long-term goals.

Lastly, BHT's leadership has identified key success factors critical to its success: exceptional customer service, strong local partnerships, and the integration of cutting-edge travel technology. With these in place, BHT aims to thrive in a competitive and rapidly evolving industry.

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

(i) Significant investment made in customer-facing staff and the technology backbone has been taken seriously by the management. Which of the following would this strategic decision of BHT fall under?

(a) Transition to Network Organisational Structure

(b) Dwelling upon Hourglass Structure for Internal Operations

(c) Part of their Premise Control Activity

(d) Upliftment of to their Primary Activity in Value Chain **(2 Marks)**

(ii) Technology is imperative and any business today has to embrace it to flourish. For BHT, integration of cutting-edge travel technology forms part of which aspect of strategic management?

(a) Is it part of their Vision Statement

(b) Is it part of their Internal Performance Metric

(c) Is it part of their Decentralized Structure

(d) Is it part of their identified Key Success Factors **(2 Marks)**

(iii) BHT's growth has stagnated. To stay competitive, the management is rethinking its organizational structure and strategy while ensuring alignment with its core values and vision. What are the macro environment trends causing stress on BHT's business.

(a) Government policy change and International Travel Restrictions

(b) Rise of online travel aggregators and changing consumer behavior

(c) Middle East conflict and Slowdown of International student travel

(d) Rising air fuel costs and high tax on luxury travel **(2 Marks)**

(iv) Brands aim to attract customer attention through innovative ways. BHT's partnerships with sustainable transportation providers and local eco-friendly accommodation partners strategy were to help them achieve what?

(a) Competitive Advantage

(b) To respond quickly to customer needs

(c) Ensuring alignment with its core values and vision

(d) Key Success Factor **(2 Marks)**

(v) BHT has been working on a lot of changes in the way it conducts its business while ensuring it also keeps itself on track to make proactive adjustments. Which of the following is helping it achieve the following?

(a) Value Chain Analysis

(b) A clear vision

(c) Premise Control

(d) Network Structure **(2 Marks)**

(B) Compulsory Application Based Independent MCQs

(i) A rapidly expanding FinTech company has adopted the following statement: "We exist to simplify digital financial services by providing secure, accessible and customer-centric payment solutions that enhance financial inclusion." The Board subsequently approves a plan to go onboard with 50 million new users within the next four years. Which of the following correctly identifies the first statement?

(a) Vision

(b) Mission

(c) Goal

(d) Objective **(2 Marks)**

(ii) A pharmaceutical company has recently completed three major acquisitions and integrated more than 8,000 employees into its operations. Although several new business opportunities are available, management postpones further expansion for the next three years to consolidate operations and improve organisational efficiency. The primary reason for adopting this strategy is:

(a) Lack of investment opportunities

(b) Consolidation after rapid expansion

(c) Government restrictions

(d) Declining customer demand **(2 Marks)**

(iii) Elevating customer service to unprecedented level by providing better customer interface, online repair service and service on site is known as:

(a) Augmented marketing

(b) Enlightened marketing

(c) Social marketing

(d) Synchro marketing **(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) *Modern Sangeet Academy,* a classical music training institute based in Bengaluru, has gained nationwide recognition through its engaging social media presence and viral reels. Encouraged by its growing popularity, students from across the country have requested the academy to introduce online classes. However, JJ Sir, the founder and head of the academy, opposes the idea. He believes that online classes would attract non-serious learners and dilute the academy's mission of preserving and promoting classical music while striving for global recognition. In the light of the above case, explain why JJ Sir should develop the qualities of a strategic thinker rather than relying solely on his expertise in classical music. How can strategic thinking contribute to the long-term growth and sustainability of the academy? **(5 Marks)**

(b) *Rafi Merchant,* a timber trader based in Surat, entered into a strategic alliance with Woodie Ducks, a South Africa-based manufacturer of premium wooden planks, to manufacture and supply wooden planks worth ₹150 crore for residential projects in GIFT City, Gujarat. Before the consignment reached India, real estate developers and customers shifted their preference to polyester-based furnishing materials due to their durability, affordability and variety of colours. Consequently, the demand for wooden planks declined sharply, causing substantial losses to Rafi Merchant. In the light of the above case, identify and explain the strategic driver overlooked by Rafi Merchant. Also, state other strategic drivers that organisations should consider before making strategic decisions. **(5 Marks)**

(c) *Jeff Inc.,* a leading US-based smartphone company, intends to strengthen its global presence by manufacturing its latest Android smartphones with high storage capacity in India. For this purpose, it enters into an agreement with Desi Group, a leading Indian mobile manufacturer, under which both companies will collaborate in manufacturing the smartphones. The products will be exported to the USA as well as European countries. Both companies will continue to exist as independent entities while sharing resources, expertise and risks. Identify the growth strategy adopted by Jeff Inc. and Desi Group. Also explain any four advantages that both companies are likely to derive from this arrangement.

(5 Marks)

2. (a) Outline the main levels of management generally found in an organization. Also explain the types of networks of relationship between these levels and amongst the same levels of a business. **(5 Marks)**

(b) "There are certain conditions or indicators which point out that a turnaround is needed if the company has to survive". Discuss. **(5 Marks)**

3. (a) *GreenBasket Pvt. Ltd.,* an online grocery retailer, is planning to expand its operations across India. The management recognises that different stakeholders have varying levels of influence and interest in the organisation. While the company intends to engage its investors and top management in every strategic decision, it plans to regularly update employees, suppliers, and customers about its expansion plans. The company also intends to maintain good relations with regulatory authorities and lenders by ensuring compliance and periodic

communication. At the same time, it proposes to spend minimal time and resources on business magazines and similar external groups, while continuing to monitor them. In the light of the above case, explain how GreenBasket Pvt. Ltd. can manage its stakeholders effectively using Mendelow's Matrix. **(5 Marks)**

(b) Explain the pointers for navigating change during digital transformation

(5 Marks)

4. (a) What is Corporate culture? Where does it come from? **(5 Marks)**

(b) *Aarav Mehta,* the founder of *TechNova Mobiles*, is preparing to launch the company's latest AI-enabled smartphone targeted at young professionals and technology enthusiasts. Although the smartphone offers advanced features and innovative technology, Aarav believes that understanding consumer behaviour is essential for ensuring a successful product launch. He wants the marketing team to design a strategy that effectively influences customers' purchase decisions and builds long-term customer satisfaction. In the light of the above case, explain how Aarav Mehta can develop an effective marketing strategy by considering the various factors influencing consumer behaviour.

OR

Bharat EV Motors, an Indian electric vehicle manufacturer, has witnessed intense competition in the EV market. Several new domestic and international companies have entered the industry with innovative models. Customers have many alternatives and can easily compare prices and features online. Battery suppliers have increased their prices due to limited availability of raw materials, while petrol and hybrid vehicles continue to remain attractive substitutes for many consumers. In the light of the above case, analyse the competitive environment of Bharat EV Motors using Porter's Five Forces Model. Explain any five competitive forces affecting the company. **(5 Marks)**