



POSTAL TEST PAPER

INTERMEDIATE

SYLLABUS 2022

PAPER - 11

FINANCIAL MANAGEMENT AND BUSINESS DATA ANALYTICS

Time Allowed: 3 Hours

Full Marks: 100

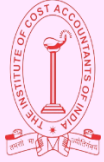
The figures in the margin on the right side indicate full marks.

Answer Question No. 1 and any five from Question No. 2, 3, 4, 5, 6, 7 and 8.

1.(A) Choose the most appropriate alternative for the following:

[12x1=12]

- (i) In India, Commercial Papers are issued as per the lines issued by –
(a) Securities and Exchange Board of India
(b) Reserve Bank of India
(c) Forward Market Commission
(d) RBI
- (ii) Annual Cost Saving ₹ 4,00,000; Useful life 4 years; Cost of the Project ₹ 11,42,000. The Payback period would be -
(a) 2 years 8 months
(b) 2 years 11 months
(c) 3 years 2 months
(d) 3 year 10 months
- (iii) In order to calculate Weighted Average Cost of capitals (WACC) weights may be based on:
(a) Market Values
(b) Target Values
(c) Book Values
(d) All of the above.
- (iv) The primary benefit of data distribution is:
(a) the estimation of the probability of any certain observation within a sample space
(b) the estimation of the probability of any certain observation within a non-sample space
(c) the estimation of the probability of any certain observation within a population
(d) the estimation of the probability of any certain observation without a non-sample space.
- (v) Conversation of marketable securities into cash entails a fixed cost of ₹1,000 per transaction. What will be the optimal conversation size as per Baumol model of cash management?
(a) ₹ 315,628
(b) ₹ 316,228
(c) ₹ 317,678
(d) ₹ 318,426
- (vi) _____ working Capital refers to the firm's investment in current assets.
(a) Zero
(b) Net
(c) Gross
(d) Distinctive



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- (vii) Between two capital plans, if expected EBIT is more than indifference level of EBIT, then:
- Both plans be rejected
 - Both plans are good
 - One is better than other
 - Both plans are break-even
- (viii) If a firm has a DOL of 2.8, it means:
- If sales increase by 2.8%, the EBIT will increase by 1%
 - If EBIT increase by 2.896, the EPS will increase by 1 %
 - If sales rise by 1%, EBIT will rise by 2.8%
 - None of the above.
- (ix) Following are the types of cloud computing:
- Private cloud
 - Public cloud
 - Hybrid cloud
 - All of the above
- (x) Relationship between annual effective rate of interest and annual nominal rate of interest is, if frequency of compounding is more than 1:
- Effective Rate < Nominal rate
 - Effective Rate > Nominal rate
 - Effective Rate = Nominal rate
 - none of the above
- (xi) To create a minimum variance portfolio, in what proportion should the two securities be mixed if the following information is given $S_1 = 10\%$, $S_2 = 12\%$, $P_{12} = 0.6$?
- 0.72 and 0.28
 - 0.70 and 0.30
 - 0.60 and 0.40
 - 0.50 and 0.40
- (xii) Cost of issuing new shares to the public is known as:
- Cost of Equity
 - Cost of Capital
 - Flotation Cost
 - Marginal Cost of Capital.

(B) State True or False:

[1×7=7]

- Beta is a measure of unsystematic risk.
- NBFCs are not allowed to operate in Insurance sector.
- Decision tree classifies or predicts likely outcomes based on a collection of decisions.
- SEBI regulates the operations in both the primary and the secondary market.
- Correct capital budgeting decisions can be taken by comparing the cost with future benefits.
- Time taken by the bank in collecting payment from the customer's bank is referred to as deposit float.
- Operating leverage analyses the relationship between sales level and EPS.



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(C) Fill in the blanks:

[1×6=6]

- (i) Mezzanine debt, sometimes called ___ debt.
- (ii) _____ indicate patterns or relative concentrations that might otherwise be obscured by overlapping marks on a map, allowing to identify areas with a larger or lesser number of data points.
- (iii) _____ is the process of correcting or deleting inaccurate, corrupted, improperly formatted, duplicate, or insufficient data from a dataset.
- (iv) The capital market consists of _____ and the stock exchanges.
- (v) _____ is a method to sell securities to the existing shareholders of a company.
- (vi) Four-times stock turnover ratio implies _____ months inventory holding period.

- 2.(a) From the following income statement, prepare a common size statement and also interpret the results.

Income Statement for the year ended 31st March

Particulars	2022 (₹)	2023 (₹)
Net Sales	10,50,000	13,50,000
Less: Cost of Goods Sold	5,70,000	6,45,000
Gross Profit	4,80,000	7,05,000
Less: Other Operating Expenses	1,50,000	2,16,000
Operating Profit	3,30,000	4,89,000
Less: Interest on Long-term Debt	60,000	51,000
Profit Before Tax (PBT)	2,70,000	4,38,000

[7+3=10]

- (b) Risk in an investment asset may be divided into Systematic Risk and Unsystematic Risk. You are required to discuss the types of risks in this context. [5]

- 3.(a) Briefly discuss the functions of a Commercial Bank. [7]

- (b) Mamon Ltd. is expected to earn ₹ 30 per share. Company follows fixed pay-out ratio of 40%. The market price of its share is ₹ 200. Find the cost of existing equity if dividend tax of 15 % is imposed on the distributed earnings when:

- (A) current level of dividend amount is maintained.
- (B) dividend to the shareholders is reduced by the extent of dividend tax. [4+4=8]

- 4.(a) Too high or too low working capital of a business or two extremes of working capital are equally dangerous to the existence of the business enterprise itself — State the consequences of danger of too high amount of Working Capital and problems of inadequate or low amount of Working Capital. [4+6=10]

- (b) A company manufactures a special product which requires a component 'Alpha'. The following particulars are collected for the year 2021.

- (i) Annual demand of Alpha 8,000 units



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- (ii) Cost of placing an order ₹ 200 per order
- (iii) Cost per unit of Alpha ₹ 400
- (iv) Carrying cost % p.a. 20%

The company has been offered a quantity discount of 4% on the purchase of 'Alpha' provided the order size is 4,000 components at a time.

Required:

(A) Compute the economic order quantity.

(B) Advise whether the quantity discount offer can be accepted.

[2+3=5]

5.(a) Mention the criticism/ limitation of the Modigliani-Miller (M-M) Hypothesis in the context of the capital structure theories. [5]

(b) A firm is considering pushing up its sales by extending credit facilities to the following categories of customers: (A) Customers with a 10% risk of non-payment, and (B) Customers with a 30% risk of non-payment.

The incremental sales expected in case of category (A) are ₹40,000 while in case of category (B) they are ₹50,000. The cost of production and selling costs are 60% of sales while the collection costs amount to 5% of sales in case of category (A) and 10% of sales in case of category (B).

You are required to advise the firm about extending credit facilities to each of the above categories of customers. [5+5=10]

6.(a) Parrot Ltd. is the manufacturer of a low-end consumer durable N. In order to modernize the manufacturing facility, Parrot Ltd. wants to buy a new machinery costing ₹ 10,00,000 at cash price. The annual cash flow before tax over the entire life span of the company is ₹ 3,00,000 p.a. The marginal rate of tax is 30% and cost of capital is 10% p.a. The scrap value at the end of the useful life of the machinery is negligible. The company is currently following a straight-line method of charging depreciation on machineries. Do you think the project is financially viable?

The company has an alternative to charge accelerated depreciation @ 30% of the depreciable amount each for the first three years and @ 10% for the fourth year. Does it change your suggestion? [4+4=8]

(b) Both Net Present Value (NPV) and Internal Rate of Return (IRR) are sound analytical tools of capital budgeting. Write down the contrasts i.e. point of differences between these two methods. [7]

7.(a) State the statutory functions of the Insurance Regulatory & Development Authority (IRDA). [7]

(b) A company has prepared its annual budget, relevant details of which are reproduced below:

(1) Sales ₹ 46.80 lakhs (25% cash sales and balance on credit)	78,000 units
(2) Raw material cost	60% of sales value
(3) Labour cost	₹ 6 per unit
(4) Variable overheads	₹ 1 per unit



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(5) Fixed overheads	₹ 5 lakhs (including ₹ 1,10,000 as depreciation)
Budgeted stock levels:	
Raw materials	3 weeks
Work-in-progress	1 week (Material 100%, Labour & Overheads 50%)
Finished goods	2 weeks
Debtors are allowed credit	4 weeks
Creditors allow credit	4 weeks
Wages are paid by-weekly, i.e., by the 3rd week and by the 5th week for the 1st & 2nd weeks and the 3 rd & 4 th weeks respectively	
Lag in payment of overheads	2 weeks
Cash-in-hand required	₹ 50,000

Prepare the working capital budget for a year for the company, making whatever assumptions that you may find necessary. [8]

8.(a) What is Data Presentation Architecture (DPA)? State the objectives and scope of DTA. [3+2+3=8]

(b) Large institution takes up digitization projects with meticulous planning and execution. How do we digitize the data and information? [7]