

# CAFM PRACTICAL QUESTIONS

## SHARE CAPITAL

### Issue of Shares with Calls in Arrears and Calls in Advance

#### QUESTION 1:

A limited Company, with an authorized capital of `2,00,000 divided into shares of ` 100 each, issued for subscription 1,500 shares payable at `25 per share on application, `40 per share on allotment, `25 per share on first call three months after allotment and the balance as and when required.

The subscription list closed on January 31, 2015 when application money on 1,500 shares was duly received and allotment was made on March 1, 2015.

The allotment amount was received in full but, when the first call was made, one shareholder failed to pay the amount on 100 shares held by him and another shareholder with 50 shares paid the entire amount on his shares.

Give journal entries in the books of the Company to record these share capital transactions assuming that all amounts due were received within one month of the date they were called.

#### YouTube Video Link :

<https://youtu.be/nGT1mQHjxk4?feature=shared&t=32>

#### QUESTION 2:

On 1st April, 2022, the following balances were extracted from the ledger of X Limited:

	(`)
(i) 10% redeemable preference share capital amount 5,000 shares of 100 each, fully called up	5,00,000
(ii) Securities premium account	14,000
(iii) General Reserve	1,60,000
(iv) Profit and loss account	1,18,540

The company redeemed all the preference shares at a premium of 5% and for the purpose, it issued equity shares of `10 each at a premium of `1 for such an amount as was necessary for the purpose after utilizing the available profits to the maximum possible extent.

You are required to pass the necessary journal entries for above mentioned transactions.  
(5 marks)

#### YOUTUBE VIDEO LINK :

<https://youtu.be/J7j6k6FZQqI?feature=shared&t=1407>

**QUESTION 3:**

On 31st March, 2023, H Ltd. has 20,000 shares out of 25,000 equity shares issued by S Ltd. H Ltd. acquired these shares in S Ltd. in the following manner:

Date of Acquisition	% of Shares Acquired
01st April, 2022	25%
01st October, 2022	37.5%
01st January, 2023	37.5%

On 31st March, 2022, the balance sheet of S Ltd. exhibited equity share capital of `2,50,000 (in `10 shares) and reserves and surplus of `1,25,000. During the year 2022-23, net profit earned by the company was `50,000, that was distributed evenly throughout the year. Amount of Reserves and Surplus on 31st March, 2023 stood at `1,75,000.

Ascertain the share of parent company in profits of S Ltd. on the dates of acquisition of these shares.

(5 marks)

**(CAFM DEC 23 PAPER PART 2)**

**YOUTUBE VIDEO LINK :**

<https://youtu.be/YmEB3INI28?feature=shared&t=122>

**QUESTION 4:**

From the following details, calculate value of Goodwill/Capital Reserve and Minority Interest that will reflect in consolidated Balance Sheet on 31st March, 2023:

**Summarized Balance Sheets as on 31<sup>st</sup> March, 2023**

Liabilities	H. Ltd. (₹)	S. Ltd. (₹)	Assets	H. Ltd. (₹)	S Ltd. (₹)
Share Capital (`100 shares)	10,00,000	4,00,000	Sundry Assets	20,00,000	10,00,000
Profit and Loss	6,00,000	4,00,000	3000 shares in S Ltd. (01.04.22)	7,00,000	-
General Reserve	2,00,000	.....			
Liabilities	9,00,000	2,00,000			
Total	27,00,000	10,00,000	Total	27,00,000	10,00,000

Balance Sheet of S Ltd. on 31st March, 2022 exhibited profit of `1,00,000 and general reserve of `60,000.

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/YmEB3INI28?feature=shared&t=818>

**QUESTION 5:**

XYZ Ltd. is a company manufacturing standardize chandeliers. The segment they deal in is more or less an oligopolistic kind of market with mediocre market potential. The demand of their product had been wavering in past, but owing to increasing economic level of middle class in India, the board of directors is confident of brighter days in future. On 1st April, 2023, the board of directors of the company is desirous of knowing the amount of working capital that will be required to meet the planned level of operations during the year 2023-24. Following details have been provided in this regard:

Issued share capital :	₹2 Crore
10% Debentures	₹50 Lakh
Fixed Assets (1st April, 2023)	₹1.25 Crore

Production and sales during the year 2023-24 is expected to average out to 500 units per month. During the previous year, the ratios of cost to selling price, which are also likely to be maintained in current year as well, were as follows:

Raw Materials :	60%
Direct Wages :	10%
Overheads :	20%

Following additional information has been provided in this regard :

- (1) Raw materials and components are expected to remain in store for an average period of two months before being issued to assembly and production.
- (2) Each unit of product is expected to be in process for 15 days.
- (3) Finished goods stay in warehouse for an average period of 1 month before being dispatches to customers.
- (4) Suppliers of raw material components extend an average credit of 1.5 month.
- (5) 80% sales are credit and though credit extended to customers is two months, average credit collection period is 75 days.
- (6) On an average, overheads of 2 weeks remain outstanding.
- (7) Selling price per unit is ₹5,000.
- (8) Work-in-progress, cost involves 100% of material and 50% of labour and overheads.
- (9) Sundry debtors to be valued at cash cost. Entire overhead cost is assumed to be cash cost.
- (10) One year is equal to 360 days or 52 weeks.
- (11) Assuming production and sales follow a constant pattern. You are required to :
  - (a) Prepare an estimate of working capital required by the company for the ensuring year. Add 10% of your calculated figure for contingencies.

(10 marks)

- (b) Prepare a forecast of Profit/Loss account for the ensuring year.

(5 marks)

- (c) Prepare a forecasted Balance Sheet at the end of ensuring year.

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/YmEB3INI28?feature=shared&t=1541>

**QUESTION 6:**

X Ltd. invited applications for 10,000 shares of `100 each payable as follows:

On Application	`25
On Allotment (on 1st May, 2014)	`25
On First Call (on 1st Oct., 2014)	`25
On Final Call (on 1st Feb., 2015)	`25

All the shares were applied for and allotted. A shareholder holding 200 shares paid the whole of the amount due along with allotment. Journalize the transactions, assuming all sums due were received. Interest was paid to the shareholder concerned on 1st February, 2015.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=1344>

**QUESTION 7:**

Runa Limited issued at par 10,000 Equity shares of `10 each payable `3.50 on application; `4 on allotment; and balance on the final call. All the shares were fully subscribed and paid except a shareholder having 100 shares could not pay the final call. Give journal entries to record these transactions.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=2609>

**QUESTION 8:**

B Ltd. issued 20,000 equity shares of `10 each at a premium of `2 per share payable as follows: on application `5(including Re.1 premium), on allotment `5 (including Re.1 premium); on final call `2. Applications were received for 24,000 shares. Letters of regret were issued to applicants for 4,000 shares and were allotted to all the other applicants. Mr. A, who is the holder of 200 shares, failed to pay the allotment and call money, the shares were forfeited. Show the Journal Entries and Cash Book in the books of B Ltd.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=3133>

**QUESTION 9:**

X Ltd forfeited 200 equity shares of `10 each, `8 called-up for non-payment of allotment @

₹4 each and first call money @ ₹2 each. Application money @ ₹2 per share has already been received by the company. Give Journal Entry for the forfeiture (assume that all money due is transferred to Calls-in-Arrears Account).

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=7411>

**Forfeiture & Reissue Pro-rata**

**QUESTION 10:**

Ganesh Cotton Mills Ltd. forfeited 1,200 shares of ₹10 each (which were issued on 80% Pro-rata basis) for non-payment of allotment money @ ₹6 (including premium ₹3.50) and first call money @ ₹3 per share. Out of 1,200 forfeited shares 1,000 shares were reissued at ₹8 per share deeming them as fully paid. Pass Journal entries for:

- (i) Forfeiture of shares
- (ii) Reissue of shares
- (iii) Transfer to capital reserve a/c.

**YouTube Video Link :**

<https://youtu.be/nGT1mQHjk4?feature=shared&t=1300>

**QUESTION 11:**

Pioneer Equipment Limited received on October 1, 2014 applications for 60,000 Equity Shares of ₹100 each to be issued at a premium of 25 per cent payable at thus:

On Application ₹30

On Allotment ₹75 (including premium)

Balance Amount on Shares as and when required

The shares were allotted by the Company on October 20, 2014 and the allotment money was duly received on October 31, 2014.

Record journal entries in the books of the company to record the transactions in connection with the issue of shares.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=113>

**QUESTION 12:**

On 1st April, 2014, A Ltd. issued 42,000 shares of ₹100 each payable as follows:

₹30 on application;

₹20 on allotment;

₹25 on 1st October, 2014; and

₹25 on 1st February, 2015.

By 20th May, 2014 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July; those on 1st call were received on 20th October. Journalize the transactions when accounts were closed on 31st March, 2015.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=784>

**QUESTION 13:**

A Ltd forfeited 300 equity shares of ₹10 fully called-up, held by Mr. X for non-payment of allotment @ ₹4 each and final call @ ₹4 each. However, he paid application money @ ₹2 per share. These shares were originally issued at par. Give Journal Entry for the forfeiture.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=7135>

**QUESTION 14:**

X Ltd. forfeited 1,000 equity shares of ₹10 each fully called-up which were issued at a premium of 20%. Amount payables on shares were: on application ₹2; on allotment ₹4 (including premium) on First and Final call ₹6. Only application money was paid by the shareholders in respect of these shares. Pass Journal Entries for the forfeiture.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=7615>

**QUESTION 15:**

A holds 200 shares of ₹10 each on which he has paid ₹2 as application money. B holds 400 shares of ₹10 each on which he has paid ₹2 per share as application money and ₹3 per share as allotment money. C holds 300 shares of ₹10 each and has paid ₹2 on application, ₹3 on allotment and ₹3 for the first call. They all fail to pay their arrears on the second and final call of ₹2 per share and the directors, therefore, forfeited their shares. The shares are re-issued subsequently for ₹12 per share fully paid-up. Journalize the transactions relating to the forfeiture and re-issue.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=8049>

**QUESTION 16:**

Mr. Long who was the holder of 300 preference shares of ₹100 each, on which ₹75 per share has been called up could not pay his dues on Allotment and first call each at ₹25 per share. The Directors forfeited the above shares and reissued 150 of such shares to Mr. Short at ₹55 per share paid-up as ₹75 per share.

Give Journal Entries to record the above forfeiture and re-issue in the books of the company.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=8899>

**QUESTION 17:**

Be Beautiful Ltd issued 4,000 equity shares of ₹10 each payable as ₹3 per share on Application, ₹5 per share (including ₹2 as premium) on Allotment and ₹4 per share on Call. All the shares were subscribed. Money due on all shares was fully received excepting Remu, holding 150 shares, failed to pay the Allotment and Call money and Semu, holding 50 shares, failed to pay the Call Money. All those 200 shares were forfeited. Of the shares forfeited, 125 shares (including whole of Semu's shares) were subsequently reissued to Jadu as fully paid up at a discount of ₹2 per share.

Pass the necessary entries in the Journal of the company to record the forfeiture and reissue of the share. Also prepare the Balance Sheet of the company.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=9869>

**QUESTION 18:**

A limited Company, with an authorized capital of ₹2,00,000 divided into shares of ₹100 each, issued for subscription 1,500 shares payable at ₹25 per share on application, ₹40 per share on allotment, ₹25 per share on first call three months after allotment and the balance as and when required.

The subscription list closed on January 31, 2015 when application money on 1,500 shares was duly received and allotment was made on March 1, 2015.

The allotment amount was received in full but, when the first call was made, one shareholder failed to pay the amount on 100 shares held by him and another shareholder with 50 shares paid the entire amount on his shares.

Give journal entries in the books of the Company to record these share capital transactions assuming that all amounts due were received within one month of the date they were called.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=12045>

**QUESTION 19:**

X Co. Ltd. was incorporated with an authorized share capital of 1,00,000 equity shares of ₹10 each. The directors decided to allot 10,000 shares credited as fully paid to the promoters for their services.

The company also purchased land and buildings from Y Co. Ltd for ₹4,00,000 payable in fully paid-up shares of the company. The balance of the shares was issued to the public, which were fully subscribed and paid for.

You are required to pass Journal Entries and to prepare the Balance Sheet.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=14104>

**QUESTION 20:**

M/s Herbal Tea Plantations Ltd. was registered with a capital of ₹1 crore divided into equity shares of ₹100 each. The company offered to public 50,000 shares at a premium of ₹20 per share. The amount on shares was payable as:

₹25 on application

₹50 (including ₹20 premium) on allotment

₹20 on first call and

₹25 on final call.

Applications were received for 75,000 shares. Shares were allotted to the applicants on prorata basis. Kanti Bhai who was allotted 500 shares did not pay the allotment money. He also failed to pay the first call. His shares were forfeited. Sheetal was holding 200 shares did not pay the first call. Final call was not made.

Make journal entries in the books of the company.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Lpw7B69t40Q?feature=shared&t=14473>

## **Debentures Issue of Debentures**

**QUESTION 21:**

Give the Journal entries in each of the following alternative cases assuming the face value of a debenture being ₹100.

(a) A debenture issued at ₹100 repayable at ₹100

(b) A debenture issued at ₹95 repayable at ₹100

(c) A debenture issued at ₹105 repayable at ₹100

(d) A debenture issued at ₹100 repayable at ₹105

(e) A debenture issued at ₹95 repayable at ₹105

(f) A debenture issued at `90 repayable at `95

**YouTube Video Link :**

<https://youtu.be/nGT1mQHjxk4?feature=shared&t=3872>

## **Debentures Loss on Issue of Debentures Installment Method**

### **QUESTION 22:**

Bee Ltd. issued 2,000, 12% Debentures of `100 each at a discount of 6% on 01.04.2009 repayable by equal annual drawings in four years.

You are required to show the discount on Issue of Debentures Account over the period.

**YouTube Video Link :**

<https://youtu.be/nGT1mQHjxk4?feature=shared&t=4635>

## **Debentures Issue of Debentures as a Collateral Security**

### **QUESTION 23:**

B Ltd. secured an overdraft of `80,000 from the bank by issuing 900, 12% Debentures of `100 each as collateral security. Prepare the Balance Sheet of the Company.

**YouTube Video Link :**

<https://youtu.be/nGT1mQHjxk4?feature=shared&t=5131>

### **QUESTION 24. :**

**(i)** The following balances appeared in the books of a Company as on 1st April, 2022:  
Sinking Fund for Redemption of Debentures `5,50,000;

Sinking Fund Investments `3,44,325;

7% Debentures `10,00,000.

In order to redeem these debentures, the company sold the Sinking Fund Investments and realize `3,45,000.

You are required to pass journal entry for the accounting treatment of profit/loss on sale of Sinking Fund Investment.

(ii) Out of ₹10,00,000 6% Debentures outstanding on 1st April, 2022, ₹5,00,000. Debentures were redeemed on 31st October, 2022. The balance of Debenture Sinking Fund Account on 1st April, 2022 was ₹10,00,000. Interest on debenture is paid on 31st March, 2022.

How will you deal with the balance of Debenture Sinking Fund Account at the time of its redemption? You are required to pass necessary journal entry in this regard. What will be the amount of interest paid on these debentures at the time of redemption?

(2 + 3 = 5 marks)

**(CAFM | DEC 23 PAPER DISCUSSION | PART 1 | CS EXE NEW SYLLABUS)**

**YOUTUBE VIDEO LINK :**

<https://youtu.be/J7j6k6FZQqI?feature=shared&t=137>

## Cash Flow Statement Full Question

### QUESTION 25:

Prepare Cash Flow Statement (as per AS-3 (Revised)) for the year ended 31st March, 2022 from the following Balance Sheet as at 31st March, 2022:

**SUPER INDIA LTD.  
BALANCE SHEET  
AS AT 31ST MARCH, 2022**

Particulars	Note No.	31st March, 2022 (₹)	31st March, 2021 (₹)
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' Funds</b>			
(a) Share Capital (Equity Share Capital)		6,00,000	4,00,000
(b) Reserves and Surplus (Statement of Profit & Loss)		2,00,000	1,00,000
<b>2. Non-Current Liabilities</b>			
Long-term Borrowings		1,00,000	2,00,000
<b>3. Current Liabilities</b>			
(a) Short-term Borrowings (Bank Loan)		....	10,000
(b) Trade Payables (Creditors)		45,000	60,000
(c) Short-term Provisions	1	70,000	40,000
<b>Total</b>		10,15,000	8,10,000
<b>II. ASSETS</b>			
<b>1. Non-Current Assets</b>			
(a) Property, Plant and Equipment and Intangible Assets:			
(i) Property, Plant and Equipment		6,00,000	6,00,000
(ii) Intangible (Patents)		45,000	50,000
(b) Non-Current Investments		75,000	....
<b>2. Current Assets</b>			

(a) Inventories		15,000	10,000
(b) Trade Receivables (Debtors)		1,95,000	1,20,000
(c) Cash and Cash Equivalents (Cash)		85,000	30,000
Total		10,15,000	8,10,000

#### Notes to Accounts

Particulars	31st March, 2022 (₹)	31st March, 2021 (₹)
<b>1. Short-term Provisions</b>		
Provision for Tax	70,000	40,000

**Note:** Dividend proposed for the years ended 31st March, 2021 and 2022 are ₹ 60,000 and ₹ 80,000 respectively.

Additional Information:

During the year 2021 – 22:

- (i) Building was purchased for ₹ 75,000.
- (ii) An old building, the book value of which was ₹ 63,000, was sold at a loss of ₹ 5,000.
- (iii) Tax provided during the year was ₹ 80,000.

**YouTube Video Link :**

<https://youtu.be/nGT1mQHjk4?feature=shared&t=5683>

## CAFM PRACTICAL QUESTIONS

### INTERNAL RATE OF RETURN OR TIME ADJUSTED RATE OF RETURN

#### QUESTION 26:

A project costs Rs. 10,000 and cash inflows in the first, second, third and fourth years respectively is Rs. 2,000, Rs. 3,000, Rs. 5,000 and Rs. 6,000. Calculate time adjusted rate of return for the project.

**YouTube Video Link :**

<https://youtu.be/cWPjDIkho1k?feature=shared&t=15>

## NPV & IRR

### QUESTION 27:

The management of a company has two alternative projects under consideration. Project A requires a capital outlay of ` 1,20,000 but Project B needs ` 1,80,000. Both are estimated to provide a cash flow for five years:

A – ` 40,000 per year and B – ` 58,000 per year. The cost of capital is 10%. Show which of the two projects is preferable from the viewpoint of (i) Net Present Value; and (ii) Internal rate of Return.

### YouTube Video Link :

<https://youtu.be/cWPjDIkho1k?feature=shared&t=1476>

## OPERATING LEVERAGE

### QUESTION 28:

From the following selected operating data, determine the degree of operating leverage. Which company has the greater amount of business risk? Why?

	Amount in `	
	Company A (`)	Company B (`)
Sales	25,00,000	30,00,000
Fixed costs	7,50,000	15,00,000

Variable expenses as a percentage of sales are 50% for company A and 25% for company B.

### YouTube Video Link :

<https://youtu.be/cWPjDIkho1k?feature=shared&t=2776>

## GORDON MODEL & WALTER'S MODEL

### QUESTION 29:

The following information is given for QB Ltd.

Earnings per share	` 12
Dividend per share	` 3
Cost of capital	18%
Internal Rate of Return on investment	22%
Retention Ratio	75%

Calculate the market price per share using

- (i) Gordon's formula
- (ii) Walter's formula

**YouTube Video Link :**

<https://youtu.be/cWPjDIkho1k?feature=shared&t=3426>

## **MM MODEL DIVIDEND POLICY**

### **QUESTION 30:**

RST Ltd. has a capital of `10,00,000 in equity shares of `100 each. The shares are currently quoted at par. The company proposes to declare a dividend of `10 per share at the end of the current financial year. The capitalization rate for the risk class of which the company belongs is 12%. What will be the market price of the share at the end of the year, if:

- (i) A dividend is not declared?
- (ii) A dividend is declared?
- (iii) Assuming that the company pays the dividend and has net profits of `5,00,000 and makes new investments of `10,00,000 during the period, how many new shares must be issued? Use the MM model.

**YouTube Video Link :**

<https://youtu.be/cWPjDIkho1k?feature=shared&t=3788>

## **MARGINAL COSTING BEP, PV, DESIRED SALES**

### **QUESTION 31:**

DB Ltd furnished the following information

Particulars	2005-2006	2006-2007
Sales (Rs 10/unit)	200,000	2,50,000
Profit	30,000	50,000

You are required to compute:

- (a) P/V Ratio.
- (b) Break-even point.
- (c) Total variable cost for 2005-2006 & 2006-2007.
- (d) Sales required to earn a profit of Rs. 60,000.
- (e) Profit/Loss when sales are Rs. 1,00,000

**YouTube Video Link :**

<https://youtu.be/cWPjDIkho1k?feature=shared&t=4779>

## MARGINAL COSTING CHANGE METHOD

### QUESTION 32:

From the following particulars calculate:

- a. P/V Ratio b. Fixed Cost
- b. I year sales Rs. 1, 95,000 profit Rs. 9,000
- c. II Year sales Rs. 2, 25,000 profit Rs. 15,000

**YouTube Video Link :**

<https://youtu.be/cWPjDIkho1k?feature=shared&t=6020>

## WORKING CAPITAL REQUIREMENT ESTIMATION

### QUESTION 33:

ABC& XYZ Ltd. Plans to sell 30,000 units next year . The expected cost of goods sold is as follows:

	Rs. (per unit)
Raw Material	100
Manufacturing Expenses	30
Selling, Administration and Finance Expenses	20
Selling Price	200
The duration of various stages of the operating cycle is expected to be as follows:	
Raw Material stage	2 months
Work-in-progress stage	1 month
Finished Goods stage	1/2 month
Debtors stage	1 month

Assuming the monthly sales level of 2500 units; estimate the gross working capital requirements if the desired cash balance is 5% of the gross working capital requirements.

**YouTube Video Link :**

<https://youtu.be/cWPjDIkho1k?feature=shared&t=6314>

# CAFM PRACTICAL QUESTIONS

## 2 PRACTICAL QUESTIONS ON MARGINAL COSTING

### QUESTION 34:

The PV ratio of Delta is 50% and Margin of safety is 40%. The company sold 500 units for `5,00,000. You are required to calculate:

- i. Break-even point.
- ii. Sales in units to earn a profit of 10% on sales.

### YouTube Video Link :

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=16](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=16)

### QUESTION 35:

A company produces single profit which sells for `20 per unit. Variable cost is `15 per unit and fixed overhead for the year is `6,30,000.

Required:

- i. Calculate the sale value needed to earn a profit of 10% on sales.
- ii. Calculate sales price per unit to bring BEP down to 1,20,000 units.

### YouTube Video Link :

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=613](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=613)

## CAPITAL BUDGETING PRACTICAL QUESTIONS

### QUESTION 36:

A Ltd. is evaluating a project involving an outlay of `10,00,000 resulting in an annual cash inflow of `2,50,000 for 6 years. Assuming salvage value of the project is zero; DETERMINE the IRR of the project.

### YouTube Video Link :

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=1046](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=1046)

### QUESTION 37:

CALCULATE the internal rate of return of an investment of `1,36,000 which yields the following cash inflows:

Year	Cash Inflows (in )
1	30,000
2	40,000
3	60,000
4	30,000
5	20,000

**YouTube Video Link :**

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=1560](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=1560)

## INTERNAL RATE OF RETURN

### QUESTION 38:

A company proposes to install machine involving a capital cost of `3,60,000. The life of the machine is 5 years and its salvage value at the end of the life is nil. The machine will produce the net operating income after depreciation of `68,000 per annum. The company's tax rate is 45%.

The Net Present Value factors for 5 years are as under:

Discounting rate	14	15	16	17	18
Cumulative	3.43	3.35	3.27	3.20	3.13

You are required to CALCULATE the internal rate of return of the proposal.

**YouTube Video Link :**

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=2102](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=2102)

### QUESTION 39:

ABC project has the following cash inflows for 4 years as `34,444; `39,877; `25,000; and `52,800 respectively. The initial Investment is `1,04,000. Find the correct statement from the following:

Present value of an annuity of rupee one on various discounting factor in 4th year is:

9%	3.2397
13%	2.9745
15%	2.8550
16%	2.7982
17%	2.7432
18%	2.6901

- (a) The IRR is less than 9%.
- (b) The IRR is greater than or equal to 9%, but less than 13%.
- (c) The IRR is greater than 16%, but less than 18%.
- (d) The IRR is greater than or equal to 17%.

**YouTube Video Link :**

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=2513](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=2513)

**PROFITABILITY INDEX**

**QUESTION 40:**

Suppose we have three projects involving discounted cash outflow of `5,50,000, `75,000 and `1,00,20,000 respectively. Suppose further that the sum of discounted cash inflows for these projects are `6,50,000, `95,000 and `1,00,30,000 respectively. CALCULATE the desirability factors/Profitability Index for the three projects.

**YouTube Video Link :**

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=3148](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=3148)

**EXPECTED NPV (PROBABILITY)**

**QUESTION 41:**

A firm expects an NPV of `8,000 if the economy is exceptionally strong (30% probability), an NPV of `4,000 if the economy is normal (40% probability), and an NPV of `2,000 if the economy is exceptionally weak (30% probability). Expected Net present value is .....

- (a) 5,200
- (b) 6,000
- (c) 5,000
- (d) 4,600

**YouTube Video Link :**

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=3289](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=3289)

**QUESTION 42:**

A company is considering two mutually exclusive projects X and Y. Project X costs `3,00,000 and Project Y `3,60,000. You have been given below the net present value, probability distribution for each project:

Project X	Project Y
-----------	-----------

NPV Estimate (₹)	Probability	NPV Estimate (₹)	Probability
30,000	0.1	30,000	0.2
60,000	0.4	60,000	0.3
1,20,000	0.4	1,20,000	0.3
1,50,000	0.1	1,50,000	0.2

(i) Compute the expected net present value of Projects X and Y.

(ii) Compute the risk attached to each project i.e., Standard Deviation of each probability distribution.

(iii) Which project do you consider more risky and why?

**YouTube Video Link :**

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=3451](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=3451)

**TIME VALUE OF MONEY PRACTICAL QUESTIONS**

**QUESTION 43:**

Find the future value of ₹1,00,000 for 15 years. The current five-year rate is 6%. Rates for the second and third five-year periods are expected to be 6.5% and 7.5% respectively.

**YouTube Video Link :**

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=4380](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=4380)

**COST OF DEBT**

**QUESTION 44:**

SK Co. is willing to issue 1,000 7% Debentures of Rs.100 each and for which the company will have to incur the following expenses:

Underwriting commission 1.5% Brokerage 0.5% Printing and other Expenses Rs. 500. Assuming tax rate at 50% find out the cost of debt capital.

**YouTube Video Link :**

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=5077](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=5077)

**COST OF PREFERENCE SHARES**

**QUESTION 45:**

SK Ltd. issued at par 10,000 10% Preference Shares of Rs.100 each. These shares are

redeemable after 10 years at a premium of Rs.5 per share. The cost of issue is Rs.2 per share. Find out the cost of preference capital. Assume 50% tax rate.

**YouTube Video Link :**

[https://youtu.be/bVVPaPb\\_Cs4?feature=shared&t=5448](https://youtu.be/bVVPaPb_Cs4?feature=shared&t=5448)

## **DEBENTURE REDEMPTION**

### **QUESTION 46:**

The Following balances appeared in the books of a company (unlisted company other than AIFI, Banking company, NBFC and HFC) as on December 31, 2022: 6% Mortgage 10,000 debentures of `10 each; Debenture Redemption Reserve (for redemption of debentures) `5,000; Investments in deposits with a scheduled bank, free from any charge or lien `15,000 at interest 4% p.a. receivable on 31<sup>st</sup> December every year. Bank balance with the company is `90,000.

The Interest on debentures had been paid up to December 31, 2022.

On February 28, 2023, the investments were realised at par and the debentures were paid off at 10.1, together with accrued interest.

Write up the concerned ledger accounts (excluding bank transactions).

**(CAFM & CMA | Supplement | Additions | CS Executive New Syllabus)**

**YOUTUBE VIDEO LINK :**

<https://youtu.be/ZQv5-UL34Lg?feature=shared&t=4304>

### **QUESTION 47:**

The following balances appeared in the books of Apple Ltd. (unlisted company other than AIFI, Banking company, NBFC an HFC) as on 1-4-2022:

- (i) 12% Debentures `75,000
- (ii) Balance of DRR `25,000
- (iii) DRR Investment `11,250 represented by 10% 1,125 Secured Bonds of the Government of India of `10 each.

Annual contribution to the DRR was made on 31st March every year. On 31-3-2023, balance at bank was `75,000 before receipt of interest. The investment were realized at par for redemption of debentures at a premium of 10% on the above date.

You are required to prepare the following accounts for the year ended 31st March, 2023:

- (1) Debentures Account
- (2) DRR Account

(3) DRR Investment Account

**YOUTUBE VIDEO LINK :**

<https://youtu.be/ZQv5-UL34Lg?feature=shared&t=6313>

**QUESTION 48:**

ABC Ltd. has issued 1,0000, 12% convertible debentures `100 each redeemable after a period of five years at a premium of 5%. The debentures holders also had the option at the time of redemption to convert 30% of their holdings into equity shares of `10 each at a price of `20 per share and balance in cash. Debenture holders amounting `2,00,000 opted to get their debentures converted into equity shares as per terms of the issue. You are require to calculate the number of shares issued and cash paid for redemption of `20,000 debenture holders.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/ZQv5-UL34Lg?feature=shared&t=7442>

**QUESTION 49:**

The Balance Sheet of Shyam Co. Ltd. (unlisted company other than AIFI, Banking company, NBFC an HFC) as at 31st March, 2023 shown Long term borrowings with respect to 12% Debentures of `100000

At the Annual General Meeting, it was resolved that to repay the debentures at a premium of 5%. Give the necessary journal entries for these transactions.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/ZQv5-UL34Lg?feature=shared&t=8035>

**QUESTION 50**

Prabhuji is a first-generation entrepreneur engaged in the bakery business. Prabhuji is the proprietor of B & Sons – a Mumbai based concern manufacturing bakery products, confectioneries and sweets. The products are manufactured and sold in wholesale to retailers under a brand name “Bread & More”. Products were essentially sold to retailers who would then sell the final customer. Since the year 2020 – the next generation of Prabhuji’s family started participating in the business. The new generation is technologically aware and suggested direct sales to customers through omni channel (online sales). The bakery brand was only known locally. However, due to sales online and due to the good quality of the products – the bakery product’s started gaining traction nationally. Demand for the products increased. As a result, there was a need to increase manufacturing capacity. The new members in the business suggested borrowing or setting up a Special Purpose Vehicle for the new manufacturing unit. Private Equity players can then invest in the Special Purpose Vehicle. Prabhuji is a conservative businessman. While not

being average to expansion – Prabhuji suggests minimizing the need for external finance while relying more on internal accruals.

Following are some financial details :

<b>Particulars</b>	<b>Amount (₹)</b>
Inventory at 1st April 2022	1,00,000
Inventory at 31st March, 2023	2,00,000
Revenues	25,00,000
Credit Sales	80% of sales
Purchases	9,50,000
Wages	7,00,000
Carriage inwards	1,50,000
Receivables 1st April, 2022	2,50,000
Receivables 31st March, 2023	3,00,000
Total assets	24,00,000
Admin. Expenses	2,50,000
Depreciation	2,00,000
Finance charges	50,000
Total debt	4,00,000
Total equity	20,00,000
Tax	30%

Jimsha is a financial expert and consultant and is a school friend of Prabhuji. One of the key questions was on improvement in cash flows. Jimsha made a suggestion regarding study of working capital management. A number of firms ignore funds blocked in working capital. Prabhuji was also concerned about the return on funds invested in business as capital. Jimsha advised Prabhuji to use Du Pont Analysis to check whether funds are used efficiently.

Prabhuji mentions the increase in demand and possible need to increase capacity. There are various options available to meet the demand.

- Outsource the production to third party.
- Expand the production capacity by incurring certain capital expenditure.

There are concerns around manufacturing quality if production is outsourced. The cost of the additional capacity is likely to be substantial. A capex of ₹5,00,000 financed 80% by debt raised at 10% and remaining through new equity is required. Financial projections are given below :

<b>Information for 2023-24</b>	<b>Current</b>	<b>New</b>
Revenues	25,00,000	Increase by 30%
Total assets	24,00,000	26,00,000
Admin. Expenses	2,50,000	2,75,000
Depreciation	2,00,000	3,00,000
Financial charges	50,000	50,000 + Interest on new debt
Total equity	20,00,000	New Equity amount
Total debt	4,00,000	
	30%	30%

Gross profit ratio remains same as previous year.

On the basis of above information, answer the following questions :  
Calculate

- Calculate inventory turnover, average collection period and interpret the ratios.
- Calculate return on Equity by using Du Pont Analysis. Comment on how can Return on Equity be improved.
- Prepare the estimate of Profit & Loss A/c for 2023-24. What will be the Owner's capital as on 31st March, 2024 ? (5 marks each)

**YOUTUBE VIDEO LINK :**

[https://youtu.be/h\\_u4bcVFOe0?feature=shared&t=83](https://youtu.be/h_u4bcVFOe0?feature=shared&t=83)

**QUESTION 51:**

Following information is provided for X Ltd :

**Balance Sheet of X Ltd.  
(As on 31st March, 2023)**

<b>I. Equity and Liability</b>	<b>Amount (` in lakh)</b>	<b>Amount (` in lakh)</b>
1. Shareholders' Funds		
(a) Share Capital		
Equity Capital		
Dividend in shares of face value 10/- Preference Capital	XX	
Dividend in shares of face value 1,000/-	XX	XX
(b) Reserves and Surplus		
General Reserve	7,800	
P & L A/c	15,000	22,800
2. Non-Current Liabilities		
(a) Long-term Borrowings		XX
3. Current Liabilities		
Short-term Borrowings	5,000	
Trade Payables	3,000	
Short-term Provisions	500	
Outstanding Expenses	100	8,600
<b>II. Assets</b>		
1. Non-Current Assets		
(a) Property, Plant and Equivalent and Intangible Assets		
(i) Property, Plant and Equipment	30,000	
(ii) Intangible Assets	1,000	
(iii) Capital Work in Progress	2,500	33,500
2. Non-Current Assets		XX
3. Current Assets		
(a) Inventories	XX	
(b) Trade Receivables	5,000	
(c) Cash and Cash Equivalent	300	XX

Complete the above balance sheet. Other relevant information is given below :

(i) The investments are in fixed income securities and have an interest rate of 8%. The payout of interest is ₹100 lakh. (ignore tax or TDS).

(ii) Inventory turnover ratio is 5. The Cost of Goods sold is ₹15,000 lakh. Opening and Closing inventory figures are same.

(iii) Issued equity share capital of ₹10 each is twice of preference share capital.

(iv) Long-term borrowings have an interest payout of ₹1,000 lakh and rate of interest is 10%.

(7 marks)

(b) Calculate net profit margin from the following given information :

Particulars	Amount (₹)
Revenue from operations	17,00,000
Cost of Revenue from operations	10,00,000
Selling Expenses	2,00,000
Administrative Expenses	1,00,000
Depreciation	2,00,000
Interest expenses	50,000
Other Income	45,000
Tax Rate	30%

(c) M2 Ltd. is a company and has an ESOP programme, for the following ESOP related exercise :

Date	
1st April 2018	10,000 options were granted at ₹400 each when market price was ₹1,000.
	Vesting period was three years
	Maximum exercise period was one year
31st March, 2021	2,000 unvested options lapsed
31st March, 2021	7,000 options were exercised
31st March, 2022	1,000 options lapsed.

Assume face value of share is ₹10. Company follows April-March year end. You are required to pass necessary journal entries. (5 marks)

### YOUTUBE VIDEO LINK :

[https://youtu.be/h\\_u4bcVFOe0?si=aIPf\\_M\\_MNABqeDX7&t=2051](https://youtu.be/h_u4bcVFOe0?si=aIPf_M_MNABqeDX7&t=2051)

### QUESTION 52:

Magma Ltd. is a manufacturing industry which has a mix of equity and debt to finance its business. The company is growing at a considerable rate prompting the management to go for expansion. The company is considering various alternatives to raise funds for the same.

The capital structure of Magma Ltd. is as follows :

Particulars	Amount (₹)
12% Debentures (first issue)	3,00,000
13% Debentures (second issue)	2,00,000

10% Cumulative Preference Shares	2,50,000
Equity Shares (Face Value of `10 per share)	6,00,000
Retained Earnings	1,50,000

Additional Information :

- (1) Equity shares are sold in the market at `25 per share. The company is contemplating the declaration of dividend of `3 per share at the end of the current financial year. The company has a practice of paying all earnings in the form of dividend.
- (2) `100 per debenture (first issue) redeemable at par has 2% floatation cost and 8 years of maturity. The market price per debenture is `120.
- (3) The second issue of debentures (`100 each) is redeemable after 5 years and are currently selling at `90 per debenture.
- (4) `100 per preference share redeemable at par has 3% floatation cost and 10 years of maturity. The market price per preference share is `108.
- (5) The tax rate applicable to the company is 30%.
- (6) The shareholder's tax liability may be assumed as 25% whereas the capital gain tax is 20%.

The CFO of the company is keen at understanding the cost of capital. Accordingly, you are appointed to complete the following tasks :

- (1) Find out the weighted average cost of capital using :
  - (2) Book value weights.
  - (3) Market value weights.
- (2) Further the company also intends to know the market price of the equity shares at the end of the current year using MM approach along with citing the assumptions of the theory.
- (3) Assuming the company has sales of `20 lakh, variable cost of `12 lakh and fixed cost of `5 lakh (excluding of interest), calculate operating leverage, financial leverage and combined leverage. (10+5+5=20 marks)

### YOUTUBE VIDEO LINK :

<https://youtu.be/Ehqhepgl1MM?feature=shared&t=120>

### QUESTION 53:

Share price of P Limited was trading at the following prices at NSE on various trading sessions :

Trading Session	Share Price of P Limited (₹)
1	4344
2	4254
3	4211
4	4308
5	4487
6	4213
7	4240
8	4112

9	4061
10	4414
11	4030
12	4336
13	4230
14	4392

Calculate RSI from the above data. Comment if share is overbought. (5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/EhqhepgI1MM?si=HNLOKGhMvrt2UtF7&t=2948>

**QUESTION 54:**

M2 Ltd. is a company and has an ESOP programme, for the following ESOP related exercise:

Date	
1st April 2018	10,000 options were granted at `400 each when market price was `1,000.
	Vesting period was three years
	Maximum exercise period was one year
31st March, 2021	2,000 unvested options lapsed
31st March, 2021	7,000 options were exercised
31st March, 2022	1,000 options lapsed.

Assume face value of share is `10. Company follows April-March year end. You are required to pass necessary journal entries.

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/uGYpMpuFuxE?feature=shared&t=120>

**QUESTION 55:**

The summarized balance sheet of H Ltd. and S Ltd. as on 31 March, 2023 are given below:

Equity and Liabilities	H Ltd. (₹)	S Ltd. (₹)
Share Capital:		
Shares of `10 each	1,00,00,000	20,00,000
Reserves	16,00,000	6,00,000
Profit & Loss A/c	12,00,000	8,00,000

<b>Total</b>	<b>1,28,00,000</b>	<b>34,00,000</b>
Assets		
Sundry Assets	1,00,00,000	34,00,000
Equity in S Ltd. 1,60,000 shares	28,00,000	
	1,28,00,000	34,00,000

S Ltd. had reserves of `6,00,000 when H Ltd. acquired shares in S Ltd. but P & L balance was fully earned after the purchase of shares by H Ltd.

S Ltd. decided to issue bonus shares out of the post-acquisition profits in the ratio of 1 share for every 5 shares held.

(i) Calculate cost of control before issue of bonus shares and after issue of bonus shares.

(ii) What will be the journal entry passed in the books of S Ltd. and H Ltd. on issue of bonus shares by S Ltd.?

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/uGYpMpuFuxE?feature=shared&t=1667>

**QUESTION 56:**

The summarized information of CBA Limited is given below:

**Balance Sheet of CBA Ltd. on 1st April 2022 to 31st March, 2023**

		Amount (in `)	
	<b>Particulars</b>	<b>1st April 2022</b>	<b>31st March, 2023</b>
<b>I.</b>	<b>Equities and Liabilities</b>		
	Equity Share Capital	9,00,000	10,50,000
	Share Premium	-	90,000
	General Reserve	1,35,000	1,95,000
	Profit and Loss Account	90,000	2,42,400
	10% debentures	-	2,10,000
	Sundry Creditors	2,55,000	2,72,100
	Provision for Taxation	67,500	1,21,500
	Proposed Dividend	90,000	1,05,000
	<b>Total</b>	<b>15,37,500</b>	<b>22,86,000</b>
<b>II.</b>	<b>Assets</b>		
	Land and Building	6,90,000	11,70,000
	Plant and Machinery	2,56,200	4,20,000

	Furniture	16,500	19,500
	Stock	2,47,200	2,87,100
	Sundry Debtors	2,25,000	2,56,500
	Bank	1,02,600	1,32,900
		<b>15,37,500</b>	<b>22,86,000</b>

Depreciation during the year:	Amount ( in )
Land and Building	1,80,000
Plant and Machinery	1,50,000
Furniture	3,600

Debentures were issued on 1st October, 2022.

Prepare Cash Flow Statement of CBA Limited for the financial year ended 2023.

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/uGYpMpuFuxE?feature=shared&t=2447>

## **ACCOUNTING FOR SHARE CAPITAL**

### **Journal Entries in case of Buy-back of Securities**

#### **QUESTION 57:**

On 31st March, 2024, following was the balance sheet of Citadel Industries Ltd.:

<b>Liabilities</b>	<b>(In lakhs)</b>	<b>Assets</b>	<b>(In lakhs)</b>
Equity share capital (Fully paid-up shares of `10 each)	2,400	Machinery	3,600
Securities premium	350	Furniture	452
General reserve	930	Investments	148
Profit and loss account	340	Stock	1,200
12% Debentures	1,500	Debtors	520
Sundry creditors	750	Cash at bank	740
Sundry provisions	390		
	<b>6,660</b>		<b>6,660</b>

On 1st April, 2024, the company announced the buy-back of 25% of its equity shares at `15 per share. For the purpose, it sold all its investments for

₹150 lakh and Issued 2,00,000 14% preference shares of ₹100 each at par, the entire amount being payable with application.

The issue was fully subscribed. The company achieved the target of the buy-back. Later, the company issued one fully paid up equity share of ₹10 by way of bonus share for every four equity shares held by the equity shareholders.

Show the Journal entries for all the transaction including cash transaction.

<b>Particulars</b>	<b>L. F.</b>	<b>Debit Amount</b>	<b>Credit Amount</b>
Bank A/c Dr. To Investment A/c To Profit and Loss A/c (Being Sale of Investment at Profit)		1,50,00,000	1,48,00,000 2,00,000
Bank A/c Dr. To 14% Preference Share Capital A/c (Being issue of 14% Preference Share Capital)		2,00,000	2,00,000
Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Equity Shareholders A/c (Being Buyback of Equity Shares)		6,00,000 3,00,000	9,00,000
Equity Shareholders A/c Dr. To Bank A/c (Being payment to Equity Shareholders)		9,00,000	9,00,000
General Reserves A/c Dr. To Capital Redemption Reserve A/c (Being transfer to Capital Redemption Reserve)		4,00,000	4,00,000
Securities Premium A/c Dr. General Reserves A/c Dr. Profit & Loss A/c Dr. To Equity Share Capital A/c (Being Issue of Bonus Shares)		50,00,000 3,30,00,000 70,00,000	4,50,00,000

**YOUTUBE VIDEO LINK :**

<https://youtu.be/gvddh5PIKZs?feature=shared&t=369>

## CAFM DEC 2024 PAPER (PART 1)

**QUESTION 58:** Micro Swift Ltd. issued 20,000 8% debentures of ` 100 each as per follows :

- (1) Series A of ` 5,00,000 (Nominal) for cash at a premium of 20%
- (2) Series B of ` 5,00,000 (Nominal) for cash at 90%
- (3) Series C of ` 5,00,000 (Nominal) to Bharat Bank against a loan of ` 4,00,000 as collateral security.
- (4) Series D of ` 5,00,000 to creditor for ` 4,50,000 on account of capital expenditure in satisfaction of his claim

Pass Journal Entries. (Ignore writing off discount on issue of debentures)

(8 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/ndKvTEm0mrk?feature=shared&t=93>

**QUESTION 59:** Campa Ltd. issued 4,00,000 shares of ` 50 each at a premium of ` 15 per share. Application for 4,50,000 shares was received. The amount was payable as follows :

- On Application ` 15
- On Allotment ` 16 (including premium ` 6)
- On First Call ` 20 (including premium ` 5)
- On Final Call ` 14 (including premium ` 4)

(1) Alpha, who was allotted 6000 shares did not pay allotment and first call and thereafter his shares were forfeited.

(2) Beta, who was allotted 4000 shares did not pay first call and thereafter his shares were forfeited.

(3) Gama, who was allotted 15000 shares did not pay final call and thereafter his shares were forfeited.

Half of the shares of Alpha and Beta were reissued at ` 42 You are required to pass journal entries for the forfeiture and reissue of shares.

(6 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/ndKvTEm0mrk?feature=shared&t=1073>

## CAFM DEC 2024 PAPER (PART 2)

**QUESTION 60:** Central Textiles Ltd. has provided you its historical revenue and cost data :

Particulars	Amount (Crore)
-------------	----------------

Revenues	1,000
Variable Cost 70% of sales	700
Fixed Cost	115
Depreciation	101
Income Tax	25%

Central Textiles Ltd. management is attempting to project profitability for next year under different scenarios. The historical data will be the base case scenario. The details regarding optimistic scenario and worst-case scenario are given below :

Particulars	Optimistic Scenario	Worst-Case Scenario
Revenue change	40% increase	20% decrease
Variable cost	65% of sales	71% of sales
Fixed cost	113/-crore	120/- crore
Depreciation	Same as base case	Same as base case

Prepare Profitability projection with the given data.

(4 marks)

**YOUTUBE VIDEO LINK :**

[https://youtu.be/m9QH\\_qynFrM?feature=shared&t=136](https://youtu.be/m9QH_qynFrM?feature=shared&t=136)

**QUESTION 61:**

Komal is a third-generation businesswomen in the dairy business “Bharat Ghee & Co.”. The business is run under the brand “Pure Ghee”. The company prepares milk-based products and is known for good quality in the market. The sales are made through self-owned stores, other retailers at locations where self-owned stores are not present and online.

The business is run by Komal’s family on a strategic and operational basis. However, now the business is growing at a rapid pace. There is a need to get in professional management to run the business. “Bharat Ghee & Co.” hires a new CEO - Garima, who has three decades of experience in the dairy industry. Komal will now be Executive Chairman and provide a guiding role in the business. The first task that Garima has on hand is to identify issues that are hindering business growth.

Komal asks Garima to list major concerns that the business is facing :

- Lower margins where sales are made through other retailers and online. Online platforms are charging a big commission for making sales.
- High chance of spoilage due to perishable nature of the raw material. Due to perishable nature of material - inventories are kept at a negligible level.
- Capacity increase may be necessitated in the near future for which capital will have to be raised.

Garima requests the Accounts Head - Naina for key financial metrics of “Bharat Ghee & Co”. Naina provides the following details to Garima :

**Key Financials of Bharat Ghee & Co :**

Credit Revenue (₹)	80,00,00,000/-
Cash Revenue	20% of total sales
Gross Profit ratio	30%
Indirect expenses (₹)	10,00,00,000/-
Tax rate	25%
Interest on debt	12%
Interest amount (₹)	12,00,00,000/-
Debt to equity ratio	2:1

Garima does some quick calculations to derive Return on Equity and Return on Capital Employed. Komal indicates willingness to contribute fresh equity in the business and payoff the loans. However, Garima is not in favour of repayment of loans.

Garima has made a business plan to change the strategy to decrease dependence from third party vendors. The new plan recommends creation of infrastructure to enable sales at locations which are serviced by channel partners. A new strategic business unit is to be created for implementation of the business plan.

The following infrastructure facilities need to be created :

Items	(₹)
Cold chain warehousing facility	15,00,00,000
New trucks	5,00,00,000
Office premises	3,00,00,000
Furniture and computers	1,00,00,000

- The aforementioned infrastructure will be set up using debt and equity in the ratio of 2 : 1. The new debt will be raised at a rate of 14%.
- The average depreciation will be 30%.
- The above investment and raising of debt will be done on October 1. The organization follows an April to March financial year.
- The average receivables at the end of the financial year from the new business will be ₹ 10,80,00,000/-. The receivables turnover days will be 45 days. Assume 180 days to calculate receivables turnover ratio.
- The gross profit margin will be 20%.
- Indirect expenses other than depreciation will be ₹ 2,00,00,000/-.
- Income tax rate is 25%.

Komal asks for the projected P&L before approving the required investment amount :

(a) Calculate current Net Profit Margin, Return on Equity and Return on Capital Employed.

(b) If debt is paid off using fresh equity, what will be new Net Profit Margin and Return on Equity ? Assume debt is repaid on first day of financial year. Comment on change in return on equity.

(c) Prepare the projected Profit & Loss Account of the new business unit.

(5+5+5=15 marks)

**YOUTUBE VIDEO LINK :**

[https://youtu.be/m9QH\\_qynFrM?feature=shared&t=760](https://youtu.be/m9QH_qynFrM?feature=shared&t=760)

**CAFM DEC 2024 PAPER (PART 3)**

**QUESTION 62:**

Super Star Ltd.

**Balance Sheet as at March 31, 2024**

Particulars	Amount (₹)	Amount (₹)
<b>I. Equities and Liabilities</b>		
1. Shareholder's funds		
Share Capital	50,00,000	
Divided in five lakh shares of 10/- each		
Reserves & Surplus	35,25,000	85,25,000
2. Long Term Borrowings		20,00,000
3. Current Liability: Trade Payables		3,00,000
		1,08,25,000
<b>II. Assets</b>		
1. Fixed Assets		66,50,000
2. Non-Current Investment		7,50,000
3. Current Assets		
Trade Receivables	5,00,000	
Inventories	5,00,000	
Cash and Cash Equivalents	24,25,000	34,25,000
		1,08,25,000
Reserves and Surplus include securities premium of Rs.10,00,000/-		

On April 1, 2024 – shareholders of the company authorized buyback as under :

(i) 10% of equity shares would be bought back at ` 17/- per share.

(ii) 12% debentures to be issued for ` 1,00,000/- to finance the buyback and balance from general reserve to be utilized for this purpose.

(iii) Premium on buyback to be met from securities premium account.

(iv) Investments would be sold for ` 11,75,000/-.

Pass necessary journal entries to record above transactions.

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Ur7alhDt7ok?feature=shared&t=48>

**QUESTION 63:**

The Capital structure of Sangam Ltd. is given below :

Particulars	` (Crore)
Share Capital (dividend in shares of 10/- each)	5,000
Secured Loans	4,000
Unsecured Loans	2,500

In the next year the company is undertaking an expansion project of `1,500/- crore. The project is to be financed in the ratio of 40% infusion of fresh owner capital and 60% secured debt capital. No old debt is repaid during the year.

The equity capital will be raised at `15/- per share. The average interest rate of the debt (old + new) will be 13%.

The income tax rate is 25%.

Prepare a statement showing forecast cash flow from financing activities.

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Ur7alhDt7ok?feature=shared&t=1040>

**QUESTION 64:**

Calculate Holding period returns for the following security :

Particulars	(`)
Investment made on April 1, 2022	50,000/-
Dividends received during the year	2,500/-
Investment sold on March 31, 2023	75,000/-
Income Tax Rate on Dividends	30%
Income Tax Rate on Capital Gains	20%

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Ur7alhDt7ok?feature=shared&t=1461>

**QUESTION 65:**

Zen & Co made sales for a certain period for `25,00,000/-. The net profit for the same period was `2,50,000/-. Fixed overheads were `3,75,000/-.

Calculate :

- P/V Ratio
- Sales needed to generate a profit of `3,75,000/-
- Net profit when sales are `37,50,000/-
- Break Even Point.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Ur7alhDt7ok?feature=shared&t=1743>

**QUESTION 66:**

A company has an EBIT of `10,00,00,000 and belongs to a risk class of 15% i.e., its overall cost of capital is 15%. What is the cost of equity capital if it employs 10% debt to the extent of 30%, 40% or 50% of total capital of `50,00,00,000/- Assume net operating income approach applies.

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Ur7alhDt7ok?feature=shared&t=2361>

## CAFM DEC 2024 PAPER (PART 4)

**QUESTION 67:** Metadex Ltd. is a clean-tech start-up focused on affordable solar energy solutions for urban households. Founded by two engineers, Amit and Sumit, in 2021, the company developed a new solar panel design that is highly efficient and affordable. The journey begins with Amit, an engineer working in a traditional energy company. For years, Amit had seen the damaging environmental impact of fossil fuels and the inefficiency of the power grid. Concerned about climate change and driven by the desire to make a difference, he started researching alternative energy solutions. Solar energy stood out as an abundant and clean source of power that remained underutilized, especially in underserved communities. In 2020, Amit quit his job and partnered with his college friend—Sumit, an expert in renewable energy policy and a software engineer. Their vision is to revolutionize the energy industry by making solar power accessible to middle-income families across the globe.

Starting the company was tough. The team faced numerous challenges, including high upfront costs for solar panels, stiff competition from larger energy companies, and difficulties in navigating government regulations. They initially struggled to secure funding, as many investors were sceptical of renewable energy start-up, thinking the market was oversaturated or too slow to provide returns.

Early-stage solar hardware companies often require significant capital for research, development, and manufacturing, making it a tough sell to investors looking for faster returns. The company navigated through the initial stages of challenges. They developed a robust marketing plan to target eco-conscious communities, partnering with influencers in the sustainability space and running ads on social media. The team scaled their operations by working with local solar panel manufacturers, reducing costs, and creating jobs in the communities they served.

Currently in the expansion process, Metadex needed around `15 lacs to scale up production and penetrate further in the market. Amit and Sumit decided to explore alternative fundraising options that would allow them to keep control of their company and align with their long-term vision.

The firm's condensed Balance sheet for the current year is as follows :

<b>Liabilities</b>	<b>Amount ( ` )</b>	<b>Assets</b>	<b>Amount ( ` )</b>
Equity Share Capital ( `10)	8,00,000	Fixed Assets	9,00,000
Reserve & Surplus	2,00,000	Current Assets	6,00,000
10% Debentures of `100 each	4,00,000		
Current Liabilities	1,00,000		
<b>Total</b>	<b>15,00,000</b>	<b>Total</b>	<b>15,00,000</b>

Currently Earnings Before Interest and Tax (EBIT) = `8,00,000. Tax Rate 50%. Current Market Price per equity share `25, market value of debt equals its book value and cost of equity is 14%.

The financial advisors of Metadex Ltd. is assigned the task to calculate :

- (i) the value of the firm and overall cost of capital before infusion of funds.
- (ii) the Economic Value Added and Market Value Added.

The company has proposed to issue 8% 5000 Preference shares of `100 each and for the balance `

10 lacs, it is considering two alternatives.

**Alternative 1 :** Raise 90% of funds required by issuing equity shares at current market price and the remaining by issuing 8% redeemable Debentures of `100 at par.

**Alternative 2 :** Raise 80% of the funds by issuing 9% Debentures of `100 at par and redeemable at a premium of 10% after 10 years and the balance by issuing Equity shares at 33.3333% premium.

Again, the financial advisor is asked to :

(i) Draft the final Capital Structure

(ii) Calculate the Earnings Per Share and Financial Leverage.

(4+4+8+4=20 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/Rkjwr0GRcqA?feature=shared&t=78>

**CAFM JUNE 2025 PAPER (PART 1)**

**QUESTION 68:** Divya Ltd. purchased machinery worth ` 1,20,000 and building worth ` 2,00,000 from Tara Ltd. for consideration other than cash at an agreed purchase consideration of ` 3,00,000 to be satisfied by the issue of 3,000, 12% debentures of ` 100 each.

Show the necessary journal entries in the books of Divya Ltd.

(3 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/-BWtFIKoeH4?si=hg3zHJ05Ovkg6P8D&t=117>

**QUESTION 69:** Calculate material consumed in production and payment for the inventory from the given figures. Assume entire purchase is on credit basis :

Particulars	`
Inventory in the beginning	80,000
Credit Purchases	3,20,000
Inventory in the end	76,000
Trade payables in the beginning	28,000
Trade payables at the end	29,000

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/-BWtFIKoeH4?si=SMz0 JQuEP5sq1gm&t=556>

**QUESTION 70:** Calculate Trade Receivables turnover ratio and average collection period from the following information :

Total Revenue from operations	`78,00,000
-------------------------------	------------

Revenue from sales on credit	65%
Trade receivables at beginning of financial year	₹5,00,000
Trade receivables at end of financial year	₹7,00,000

Assume 365 days in the year for calculation of average collection period.  
(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/-BWtFIKoeH4?si=zrxITkhoXxQh4eom&t=923>

**QUESTION 71:** A new process for development of Active Pharmaceutical ingredients (APIs) is developed by Prof. Shastri. The process is subsequently patented. The APIs are used to manufacture medicines for cure of cardiac diseases. The patent is bought by a pharmaceutical company Ratna & Co. The patent was bought for a consideration of ₹45,00,00,000. The deal involves payment of ₹15,00,00,000 to Prof. Shastri and allotment of shares of ₹10 each at a discount of ₹2 per share for balance consideration of ₹30,00,00,000.

Prepare necessary journal entries in the books of Ratna & Co.

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/-BWtFIKoeH4?si=KAUWFgWJjdDrJj0f&t=1205>

**QUESTION 72:** Sangam Ltd. came up with public issue of 3,00,000 Equity Shares of ₹10 each at ₹15 per share. P, Q and R took underwriting of the issue in the ratio of 3 : 2 : 1 with the provisions of firm underwriting of 20,000, 14,000 and 10,000 shares respectively.

Applications were received for 2,40,000 shares excluding firm underwriting.

The number of applications from public were received as under :

P – 60,000

Q – 50,000

R – 60,000

Compute the liability of each underwriter as regards the number of shares to be taken up assuming that the benefit of firm underwriting is not given to individual underwriters.

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/-BWtFIKoeH4?si=eyyMwLy38oY1SZEg&t=1577>

**QUESTION 73:** Shiv Shakti Ltd. issued 20,000, 13%, Convertible Debentures of ` 100 each on 1st April, 2024. The debentures are due for redemption on 1st July, 2024. The terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred an option to the debentureholders to convert 20% of their holding into equity shares having a nominal value of ` 10 per share at a price of ` 15 per share. Debentureholders holding 2,500 debentures did not exercise the option.

Calculate the number of equity shares to be allotted to the Debentureholders exercising the option to the maximum.

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/-BWtFIKoeH4?si=894co8LJM047OoeQ&t=2464>

### CAFM JUNE 2025 PAPER (PART 2)

**QUESTION 74:** The following data is given for two similar companies:

	<b>A Ltd.</b>	<b>B. Ltd.</b>
Net profit margin	23%	20%
Assets turnover ratio	1.25	1.50
Financial Leverage	1.50	1.40

- Calculate Return on Equity for A Ltd. and B Ltd.
- Which company has higher Return on Equity ?
- What is the reason for higher return on equity ?

(3+1+1=5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/-PeZVskgIto?si=kyHTs0UNAOjrFyDB&t=62>

**QUESTION 75:** Sun Star Ltd. is a listed company whose share prices for last 14 trading session are given below. Calculate Relative Strength Index :

Trading session number	Share price (₹)
1	334
2	344
3	335
4	312
5	334
6	348
7	314

8	309
9	316
10	339
11	347
12	317
13	333
14	340

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/-PeZVskgIto?si=1qQmiGzJc24Hsx8&t=329>

**QUESTION 76:** Win Some Ltd. is contemplating issue of shares for an expansion project :

Market Capitalization Rate	15%
Number of shares outstanding at the beginning of FY	1,00,000
Share price at the beginning of FY	`120
Dividend expected to be declared	`2 per share
Expected net income	`50,00,000
New investment	`1,00,00,000

Assuming that Modigliani Miller's approach (theory of irrelevance of dividend to market value) is followed, you are required to calculate :

- Total number of shares at the end of FY.
- The market value of the shares at the end of FY.

(3+2=5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/-PeZVskgIto?si=QfAD3pzd8gck97Uf&t=833>

**QUESTION 77:** Rita wants to invest her savings in certain annuity plans. Amount to be invested is ` 2,00,000 per annum for next five years. The investment is expected to compound at 10% p.a. Calculate future value :

- Assuming investments are made at the end of year.
- Assuming investments are made at the beginning of year.

(2+3=5 marks)

**YOUTUBE VIDEO LINK :**

[https://youtu.be/-PeZVskgIto?si=ci7\\_6s1vA9TXtMlr&t=1504](https://youtu.be/-PeZVskgIto?si=ci7_6s1vA9TXtMlr&t=1504)

**QUESTION 78:** The summarised Balance Sheets of H Ltd. and S Ltd. as on 31st March, 2025 is given below :

<b>Equities and Liabilities</b>	<b>H Ltd.</b>	<b>S Ltd.</b>
Share Capital (Face value of `10 per share)	30,00,000	6,00,000
Reserves	4,80,000	1,80,000
Profit and Loss Account	3,60,000	2,40,000
	<b>38,40,000</b>	<b>10,20,000</b>
<b>Assets</b>		
Sundry Assets	30,00,000	10,20,000
48,000 shares in S Ltd.	8,40,000	
	<b>38,40,000</b>	<b>10,20,000</b>

S Ltd. had reserves of ` 1,80,000 when H Ltd. acquired shares in S Ltd. The P & L balance of S Ltd. was fully earned after the acquisition of shares by H Ltd. S Ltd. decided to issue bonus shares out of post-acquisition profit in the ratio of 1 share for every 10 shares held.

Calculate the cost of control before and after issue of bonus shares.

(5 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/-PeZVskgIto?si=4RNmnjWAKn5BVw6N&t=2144>

**QUESTION 79:** A new project requires outlay of ` 800 lakhs. The amount maybe raised through issue of equity shares of ` 400 each or by issuing equity shares of value ` 600 lakhs and loan of ` 200 lakhs at 14% interest.

Assuming income tax rate at 25%, calculate EBIT levels that would keep equity investors indifferent to the two options.

(5 marks)

**YOUTUBE VIDEO LINK :**

[https://youtu.be/-PeZVskgIto?si=P1x4u4P\\_n0sFH4wD&t=2785](https://youtu.be/-PeZVskgIto?si=P1x4u4P_n0sFH4wD&t=2785)

**CAFM JUNE 2025 PAPER (PART 3)**

**QUESTION 80:** Aashna is a Mechanical Engineer from a premier institute based in Kolkata. After working for a decade in the engineering industry, Aashna completes a management development programme from a top-grade Business School. Subsequently, Aashna along with her three colleagues sets up a venture capital fund - GKJ & Co. The aim is to invest in companies that manufacture import substitutes. There is an impetus from the Government to manufacture in India to meet domestic demand and for the world and hence it is felt that any investment made in the manufacturing industry is likely to grow at an above average rate.

GKJ & Co. has raised an initial amount of ` 80 crore from investors and is scouting for

initial deployment opportunities. One such opportunity is investments in Royden & Co. Royden & Co. is a manufacturer of equipment and tools which are used in dental clinics. This equipment is essentially an import substitute and has potential to be exported as well.

The Balance Sheet of Royden & Co. as on the recent financial year end is given below :

<b>I. Equity and Liabilities</b>	<b>Beginning of financial year (` Lakhs)</b>	<b>Ending of financial year (` Lakhs)</b>
Share Capital	1,400	1,600
Share Premium	476	220
Retained Earnings	476	616
7% Mortgage Loans	-	400
Creditors	138	120
Outstanding Salaries	40	28
Provision for taxation	20	28
<b>Total</b>	<b>2,254</b>	<b>3,012</b>
<b>II. Assets</b>		
Plant & Machinery	1,240	1,320
Accumulated depreciation on plant and machinery	(740)	(524)
Building	1,900	2,320
Accumulated depreciation on building	(860)	(900)
Land	200	240
Stock	204	192
Debtors	172	152
Prepaid Expenses	14	16
Cash & Bank	124	196
<b>Total</b>	<b>2,254</b>	<b>3,012</b>

The following additional details are hereunder :

- (i) Plant costing ` 320 lakhs (accumulated depreciation ` 296 lakhs) was sold during the year for ` 24 lakhs
- (ii) Building was acquired during the year at cost of ` 420 lakhs. In addition to cash payment of ` 20 lakhs mortgage of ` 400 lakhs was raised for balance.
- (iii) Dividend of ` 160 lakhs was paid during the year.
- (iv) A sum of ` 278 lakhs was transferred to Provision for tax account.

Royden & Co. wants to setup a plant to manufacture advanced dentistry equipment. The said equipment is imported from USA. The Indian Government is giving benefits in terms of tax holidays for such types of business. It is estimated that turnover of ` 800 lakhs could be generated at a profit in the first year of operations. The new business setup requires a significant investment. Royden & Co. have reached out to GKJ & Co. for the first round of funding. GKJ & Co. has requested Royden & Co. for some further information before investing. Royden & Co. is requested to prepare profitability projections under different scenarios. The scenarios are given below :

	<b>Base Case (Rs. Lakhs)</b>	<b>Best Case</b>	<b>Worst Case</b>

Revenues	800	Sales higher by 37.5%	Sales decline by 25%
Variable Cost 60% of sales	480	56% of sales	65% of sales
Fixed Cost	80	60	100
Depreciation	100	100	100
Income Tax	Rs.40 lakhs	Same income tax rate as base case	Same income tax rate as base case

- (a) Prepare cash flow statement (indirect method) of Royden & Co. for the current financial year with the available details.  
(b) Return on Equity and Return on Assets of Royden & Co.  
(c) Calculate profit under different scenarios.

(7+3+5=15 marks)

**YOUTUBE VIDEO LINK :**

<https://youtu.be/iXDOkuu-NU4?si=mb-9WwnNu94ER7Tb&t=102>

**CAFM JUNE 2025 PAPER (PART 4)**

**QUESTION 81:** Oreon Ltd. grants 10,000 employee stock options on 1.4.2021 at ` 400. The market price of the share is ` 1,600. The vesting period is 2.5 years and the maximum exercise period is one year.

- 3,000 unvested options lapses on 1.5.2023.
- 6,000 options are exercised on 30.6.2024.
- 1,000 vested options lapses at end of exercise period.

Pass journal entries and show necessary working notes.

(7 marks)

**YOUTUBE VIDEO LINK :**

[https://youtu.be/CuCLlXWJ924?si=Wt9srZ\\_gb2QfGzA&t=2127](https://youtu.be/CuCLlXWJ924?si=Wt9srZ_gb2QfGzA&t=2127)

**CAFM JUNE 2025 PAPER (PART 5)**

**QUESTION 82:** Vishal is a Mechanical Engineer with over three decades of experience. After completion of his graduation, he has worked in the global oil and gas industry for various companies as an employee. Given his vast experience in the energy sector; Vishal is often invited to various conferences on the oil and gas industry. One such conference was on “Areas of opportunities common to all include the India growth story” given the demographic dividend and energy independence.

Vishal recognizes the huge potential of the oil and gas sector in India and sets up an engineering and construction company M/s. Mid-Stream & Co., based in Kolkata. The first bid for the project is a gas pipeline for a Government Company. The initial outlay for the project is ₹ 5,75,00,000.

The duration of the project is five years. The expected cash inflows from the project are given below :

Year	
1	1,75,00,000
2	1,95,00,000
3	1,90,00,000
4	2,85,00,000
5	2,40,00,000

The acceptable rate of return for M/s. Mid-Stream & Co. is 15%.

Anuja, CFO of M/s. Mid-Stream & Co. recommends a risk premium of 3% over and above the acceptable rate of 15% given the risky nature of the project.

Vishal estimates duration to recover the initial cost of the project. Anuja mentions that it would be prudent to use discounted cash flows for such calculations. A risk management perspective also would involve a more conservative approach in terms of Cash Flow estimation. Anuja mentions that the firm needs to make more conservative estimates of cash flow using the Certainty Equivalent technique with a discount rate of 15% to be used.

Cash Flows from Government project with Certainty Coefficients :

Year		Certainty Coefficients
1	1,75,00,000	0.90
2	1,95,00,000	0.88
3	1,90,00,000	0.85
4	2,85,00,000	0.81
5	2,40,00,000	0.65

Calculate :

(i) NPV of gas pipeline bid for the Government Company. Give your recommendation regarding acceptability of the project.

(7 marks)

(ii) Payback period, post payback profitability index and discounted payback period.

(7 marks)

(iii) NPV of the Government project, after application of Certainty Coefficients.

(6 marks)

Present Value Factors are given below :

Years	0	1	2	3	4	5
Discount rate						
15%	1	0.87	0.76	0.66	0.57	0.50
18%	1	0.85	0.72	0.61	0.52	0.44

**YOUTUBE VIDEO LINK :**

<https://youtu.be/U6vJZ-a8iCc?si=VoJHwnhtU5UHTauG&t=93>

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