Skillshort

Self-Study Preparation Pack

CMA INTERMEDIATE

Paper 11: Financial Management and Business Data Analytics (FMDA)

Chapter-wise Practice Questions with Answers

For the December 2026 term · 50 MCQs (5 sets) + 10 descriptive questions with solutions · Original Skillshort questions

50 MCQs with key | 10 descriptive with solutions | Numbers verified in Python | Solve after each chapter

Contents

Part A – Chapter-wise MCQs 2

Part B – Descriptive Practice Questions 8

This subject pack has 6 parts

1 Chapter-wise notes | 2 Important topics & weightage | 3 Past papers: trends & links

4 Mock tests + solutions | **5 Chapter practice questions** | 6 Last-week plan & strategy

Prepared by Skillshort for self-study. Original explanations and questions; not an official ICAI/ICMAI/ICSI publication. Items marked VERIFY should be checked against the latest official material.

Part A – Chapter-wise MCQs

Each set is followed by its answer key. Attempt a set in 20 minutes after finishing the related chapters.

Set 1 – Chapters 1–2 (Fundamentals, TVM, risk and markets)

1. The modern objective of financial management is

(a) Profit maximisation
(b) Sales maximisation
(c) Wealth maximisation
(d) Cost minimisation

2. The present value of ₹1,00,000 receivable after 2 years at 10% is about

(a) ₹80,000
(b) ₹82,645
(c) ₹90,909
(d) ₹1,21,000

3. An annuity due differs from an ordinary annuity because payments are made

(a) At the end of each period
(b) At the start of each period
(c) Only once
(d) Forever

4. Unsystematic risk can be reduced by

(a) Hedging interest rates
(b) Diversification
(c) Increasing beta
(d) Holding cash only

5. A security with beta 1 has risk

(a) Lower than the market
(b) Equal to the market
(c) Higher than the market
(d) Of zero

6. Treasury bills in India are issued for

(a) 91, 182 and 364 days
(b) 30, 60 and 90 days
(c) 1, 3 and 5 years
(d) 7 days only

7. A certificate of deposit is issued by

(a) The Government of India
(b) Scheduled banks and financial institutions
(c) Any company
(d) SEBI

8. A price-discovery mechanism for public issues in which investors bid within a price band is

(a) Fixed-price issue
(b) Book building
(c) Rights issue
(d) Private placement

9. The regulator of the securities market in India is

(a) RBI
(b) IRDAI
(c) SEBI
(d) PFRDA

10. Green-shoe option in a public issue is used to

(a) Stabilise the post-listing price
(b) Reduce issue expenses
(c) Avoid underwriting
(d) Fix the cut-off price

Set 1 – Answer key

Q	Ans	Explanation / working
1	(c)	**Wealth maximisation** considers time value, risk and cash flows.

Q	Ans	Explanation / working
2	(b)	1,00,000 ÷ 1.21 = **₹82,645**.
3	(b)	Annuity due = payments at the **beginning**; PV = ordinary PV × (1 + r).
4	(b)	Firm-specific risk is **diversifiable**.
5	(b)	β = 1 moves **with the market**.
6	(a)	**91, 182 and 364 days**, at a discount.
7	(b)	CDs are issued by **banks and all-India financial institutions**.
8	(b)	**Book building**.
9	(c)	**SEBI**; RBI regulates banks and money markets.
10	(a)	It allows over-allotment and **price stabilisation** after listing.

Set 2 – Chapters 3–4 (Financial analysis, sources and cost of capital)

11. Which of the following does not change the current ratio when it is 2:1?

(a) Paying creditors in cash
(b) Buying stock on credit
(c) Collecting debtors
(d) Selling a fixed asset for cash

12. Profit available to equity ₹5 lakh, 1 lakh shares, market price ₹40. The earnings yield is

(a) 8%
(b) 10%
(c) 12.5%
(d) 20%

13. Return on total assets 9% and net profit margin 5%. Asset turnover is

(a) 0.55
(b) 1.8
(c) 4.5
(d) 14

14. A debt-equity ratio of 1.7 against an industry average of 1.2 indicates

(a) Higher liquidity
(b) Higher financial risk
(c) Higher profitability
(d) Lower capital employed

15. Funds from operations exclude

(a) Depreciation added back
(b) Profit on sale of fixed assets
(c) Goodwill written off added back
(d) Loss on sale added back

16. 9% irredeemable debentures of ₹100 are issued at a 5% premium with flotation cost of 2% of face value; tax 50%. The after-tax cost of debt is about

(a) 4.29%
(b) 4.37%
(c) 4.50%
(d) 9.00%

17. Which cost of capital needs a tax adjustment?

(a) Equity
(b) Preference
(c) Debt
(d) Retained earnings

18. Market-value weights are preferred in WACC because they

(a) Are easy to find
(b) Reflect current costs and values
(c) Never change
(d) Match the balance sheet

19. An ADR is a depository receipt issued in

(a) Luxembourg (b) London
(c) The United States (d) Singapore

20. In the CAPM, which of the following is not needed?

(a) Beta (b) Market return
(c) Market price of the share (d) Risk-free rate

Set 2 – Answer key

Q	Ans	Explanation / working
11	(c)	Collecting debtors swaps one current asset for another – **no change**; the other three alter CA or CL.
12	(c)	EPS ₹5 ÷ ₹40 = **12.5%**.
13	(b)	ROA = margin × turnover → 9 ÷ 5 = **1.8 times**.
14	(b)	More debt per rupee of equity → **higher financial risk**.
15	(b)	**Profit on sale** is a non-operating income and is deducted.
16	(b)	Net proceeds = 105 − 2 = 103; Kd = 9 × 0.5 ÷ 103 = **4.37%**.
17	(c)	Only **interest** is tax-deductible.
18	(b)	They reflect the **current** opportunity cost of capital.
19	(c)	ADRs trade in the **US**; GDRs in other international markets.
20	(c)	CAPM uses Rf, β and Rm – **not the share price**.

Set 3 – Chapter 5 (Capital budgeting)

21. Which principle is not followed in capital budgeting?

(a) Cash-flow principle (b) Interest-exclusion principle
(c) Accrual principle (d) Post-tax principle

22. Sunk cost is excluded from capital budgeting because it is

(a) Small (b) Not incremental
(c) Tax-free (d) Always fixed

23. Initial outlay ₹60 lakh; life 12 years; CFAT ₹15 lakh a year. Payback period is

(a) 3 years (b) 4 years
(c) 5 years (d) 12 years

24. A project's NPV at 10% is +₹20,000 and at 12% is −₹10,000. IRR is about

(a) 10.67% (b) 11.33%
(c) 11.67% (d) 12.00%

25. Under single-period capital rationing with divisible projects, rank projects by

(a) IRR (b) Payback
(c) Profitability index (d) ARR

26. Multiple IRRs can arise when

(a) Cash flows are conventional
(b) Cash flows change sign more than once
(c) The life is long
(d) NPV is positive

27. NPV assumes reinvestment of intermediate cash flows at the

(a) IRR
(b) Cost of capital
(c) Risk-free rate
(d) Bank rate

28. Equivalent annual cost is used to compare

(a) Projects of unequal lives
(b) Projects with equal lives only
(c) Payback periods
(d) Financing plans

29. Depreciation affects project cash flows only through

(a) Working capital
(b) The tax shield
(c) Salvage value
(d) Financing cost

30. A conglomerate should evaluate a new-division project using

(a) The company-wide WACC
(b) A divisional hurdle rate based on a pure-play beta
(c) The bank rate
(d) The IRR of past projects

Set 3 – Answer key

Q	Ans	Explanation / working
21	(c)	Capital budgeting uses **cash flows**, not accruals.
22	(b)	It has been incurred already and does **not change** with the decision.
23	(b)	60 ÷ 15 = **4 years**.
24	(b)	10 + 20 ÷ 30 × 2 = **11.33%**.
25	(c)	**PI** maximises NPV per rupee of scarce capital.
26	(b)	**Non-conventional** cash flows.
27	(b)	NPV assumes reinvestment at **k**; IRR assumes reinvestment at IRR.
28	(a)	EAC = PV of costs ÷ PVAF – for **unequal lives**.
29	(b)	It is non-cash; it saves **tax = depreciation × tax rate**.
30	(b)	Risk differs by division – use a **pure-play** beta relevered to the division.

Set 4 – Chapters 6–7 (Working capital and financing decisions)

31. Inventory conversion period 40 days, receivables 30 days, payables 20 days. The cash conversion cycle is

(a) 40 days
(b) 50 days
(c) 60 days
(d) 90 days

32. Annual demand 12,500 units, ordering cost ₹100, carrying cost ₹10 per unit a year. EOQ is

(a) 250 units
(b) 500 units
(c) 750 units
(d) 1,000 units

33. Average collection period 3 months; cash sales ₹8 lakh; average receivables ₹9 lakh. Total sales are

(a) ₹27 lakh
(b) ₹36 lakh
(c) ₹44 lakh
(d) ₹45 lakh

34. The aggressive approach to financing current assets uses

(a) Long-term funds for all current assets
(b) Short-term funds for part of permanent current assets
(c) Equity only
(d) No bank borrowing

35. Under the Tandon Committee's second method, MPBF equals

(a) 75% of (CA − CL)
(b) 75% of CA − CL
(c) 75% of (CA − core CA) − CL
(d) CA − CL

36. Sales ₹2 per unit × 1,00,000 units; variable cost 35%; fixed cost ₹1,00,000; 14% debentures ₹26,000. Financial leverage is about

(a) 1.04
(b) 1.14
(c) 1.24
(d) 1.34

37. Under the NOI approach, the overall cost of capital

(a) Falls with debt
(b) Rises with debt
(c) Remains constant
(d) Is U-shaped

38. EPS ₹10, Ke 15%, r 20%, retention 40%. The price under Gordon's model is about

(a) ₹60.00
(b) ₹75.00
(c) ₹85.71
(d) ₹100.00

39. MM argue that dividends are irrelevant because

(a) The value of a firm depends on its earning power, not on how earnings are distributed
(b) Investors want only capital gains
(c) Taxes favour dividends
(d) Markets are imperfect

40. Payout ratio 60% and ROI 15%. The growth rate (g = br) is

(a) 6%
(b) 9%
(c) 15%
(d) 25%

Set 4 – Answer key

Q	Ans	Explanation / working
31	(b)	40 + 30 − 20 = **50 days**.
32	(b)	√(2 × 12,500 × 100 ÷ 10) = √2,50,000 = **500 units**.
33	(c)	Credit sales = 9 × 12 ÷ 3 = 36 lakh; total = 36 + 8 = **₹44 lakh**.
34	(b)	**Aggressive** – short-term funds even for some permanent needs.
35	(b)	Method II: **75% of current assets less current liabilities** (other than bank borrowings).
36	(b)	Contribution 1,30,000; EBIT 30,000; interest 3,640; DFL = 30,000 ÷ 26,360 = **1.14**.
37	(c)	NOI – **Ko constant**; Ke rises with leverage.
38	(c)	g = 0.4 × 20% = 8%; D = 6; P = 6 ÷ (0.15 − 0.08) = **₹85.71**.
39	(a)	Value depends on **investment policy and earning power**.
40	(a)	b = 40%; g = 0.4 × 15% = **6%**.

Set 5 – Chapters 8–11 (Business data analytics)

41. Which of the following is not a type of data-validation check?

(a) Code check
(b) Range check
(c) Consistency check
(d) Price check

42. A chart showing tasks, their sequence and resource allocation over time is a

(a) Scatter plot
(b) Density map
(c) Bubble chart
(d) Gantt chart

43. Analytics that explains why something happened is

(a) Descriptive
(b) Diagnostic
(c) Predictive
(d) Prescriptive

44. ETL stands for

(a) Enter, Test, Lock
(b) Extract, Transform, Load
(c) Edit, Transfer, Link
(d) Evaluate, Track, Log

45. A repository that stores raw data in its native format for later use is a

(a) Data mart
(b) Data lake
(c) Spreadsheet
(d) OLAP cube

46. Machine learning on labelled data (e.g. predicting default from past defaults) is

(a) Supervised learning
(b) Unsupervised learning
(c) Reinforcement learning
(d) RPA

47. Software bots that perform rule-based, repetitive tasks such as reconciliations are

(a) AI chatbots
(b) RPA
(c) Blockchain
(d) OLAP

48. SaaS means

(a) Storage as a service
(b) Software as a service
(c) Security as a service
(d) System as a service

49. Market-basket analysis is an example of

(a) Classification
(b) Clustering
(c) Association rules
(d) Regression

50. The Indian law governing processing of digital personal data is the

(a) IT Act 2000 only
(b) Digital Personal Data Protection Act, 2023
(c) Companies Act 2013
(d) RTI Act 2005

Set 5 – Answer key

Q	Ans	Explanation / working
41	(d)	"Price check" is not a validation type; code, range, format, consistency and check-digit are.
42	(d)	**Gantt chart**.
43	(b)	**Diagnostic** analytics – drill-down and root cause.
44	(b)	**Extract, Transform, Load** into a warehouse.
45	(b)	**Data lake**; a warehouse holds cleaned, structured data.
46	(a)	**Supervised** – the model learns from labelled outcomes.
47	(b)	**Robotic process automation**.
48	(b)	**Software as a service** – e.g. cloud accounting.
49	(c)	It finds items bought together – **association rules**.
50	(b)	**DPDP Act, 2023** – consent, purpose limitation, rights of data principals.

Part B – Descriptive Practice Questions

QUESTION D1 – Loan instalment (4 marks)

A loan of ₹10 lakh at 10% is repayable in 5 equal year-end instalments (PVAF 3.791). Find the instalment and the interest in year 1.

SOLUTION D1

Instalment = 10,00,000 ÷ 3.791 = **₹2,63,783**. Interest in year 1 = 10% × 10,00,000 = **₹1,00,000**; principal repaid = 1,63,783.

QUESTION D2 – Stock and quick assets (4 marks)

Current ratio 2.8, quick ratio 1.6, working capital ₹1,80,000. Find current assets, current liabilities and stock.

SOLUTION D2

CA − CL = 1,80,000 and CA = 2.8 CL → 1.8 CL = 1,80,000 → **CL = ₹1,00,000**; **CA = ₹2,80,000**; quick assets = 1,60,000 → **stock = ₹1,20,000**.

QUESTION D3 – Funds from operations (4 marks)

Net profit ₹4,00,000 after depreciation ₹1,20,000, goodwill written off ₹30,000, loss on sale of machine ₹10,000, profit on sale of investment ₹25,000 and dividend received ₹15,000. Compute funds from operations.

SOLUTION D3

FFO = 4,00,000 + 1,20,000 + 30,000 + 10,000 − 25,000 − 15,000 = **₹5,20,000**. Sale proceeds of investments and dividends are shown separately as sources.

QUESTION D4 – Cost of new equity (4 marks)

Share price ₹100; last dividend ₹5; growth 8%; flotation cost 5% of price. Find the cost of new equity and of retained earnings.

SOLUTION D4

D_1 = 5 × 1.08 = 5.40. Cost of new equity = 5.40 ÷ 95 + 8% = **13.68%**. Cost of retained earnings (no flotation) = 5.40 ÷ 100 + 8% = **13.40%**.

QUESTION D5 – NPV and IRR of two projects (6 marks)

Each costs ₹10 lakh. A yields ₹6 lakh at the end of years 1 and 2; B yields ₹13.5 lakh at the end of year 2. Cost of capital 10% (PVF 0.909, 0.826). Compute NPV and IRR and rank.

SOLUTION D5

NPV A = 6 × 0.909 + 6 × 0.826 − 10 = **₹0.41 lakh**; NPV B = 13.5 × 0.826 − 10 = **₹1.15 lakh**.

IRR A ≈ **13.1%** ($6 \div (1 + r) + 6 \div (1 + r)^2 = 10$); IRR B = $\sqrt{1.35} - 1$ = **16.2%**. B ranks first on both criteria. If the rankings ever conflict for mutually exclusive projects, follow **NPV**.

QUESTION D6 – Operating cycle (5 marks)

Raw-material consumption ₹36 lakh, average raw-material stock ₹6 lakh; cost of production ₹60 lakh, average WIP ₹2.5 lakh; cost of goods sold ₹72 lakh, average finished goods ₹6 lakh; credit sales ₹90 lakh, average debtors ₹15 lakh; credit purchases ₹40 lakh, average creditors ₹5 lakh. Take 360 days. Compute the operating cycle.

SOLUTION D6

RM 6 ÷ 36 × 360 = 60 days; WIP 2.5 ÷ 60 × 360 = 15; FG 6 ÷ 72 × 360 = 30; debtors 15 ÷ 90 × 360 = 60; creditors 5 ÷ 40 × 360 = 45. Net operating cycle = 60 + 15 + 30 + 60 − 45 = **120 days**.

QUESTION D7 – Trade credit (3 marks)

Terms 2/10 net 45. Bank borrowing costs 14%. Should the firm take the discount? (365 days)

SOLUTION D7

Cost of forgoing the discount = 2 ÷ 98 × 365 ÷ 35 = **21.3%** > 14% → **borrow from the bank and take the discount**.

QUESTION D8 – Indifference point (5 marks)

₹50 lakh is needed. Plan A: 5,00,000 equity shares of ₹10. Plan B: 10% debt ₹20 lakh + 3,00,000 equity shares of ₹10. Tax 25%. Find the indifference EBIT and EPS.

SOLUTION D8

X × 0.75 ÷ 5,00,000 = (X − 2,00,000) × 0.75 ÷ 3,00,000 → 3X = 5X − 10,00,000 → **X = ₹5,00,000**; EPS = **₹0.75** under both plans. Above ₹5 lakh EBIT, Plan B (debt) gives the higher EPS.

QUESTION D9 – Gordon's model (4 marks)

EPS ₹10; retention 40%; r 15%; Ke 12%. Find the share price. What happens if retention rises to 60%?

SOLUTION D9

g = 0.4 × 15% = 6%; D_1 = 6; P = 6 ÷ (0.12 − 0.06) = **₹100**. At 60% retention: g = 9%; D_1 = 4; P = 4 ÷ 0.03 = **₹133.33** – a growth firm (r > Ke) gains from higher retention.

QUESTION D10 – Data validation (5 marks)

Explain six data-validation checks with examples from an accounts-payable system.

SOLUTION D10

Check	Example
Type check	Invoice amount must be numeric; date field must be a valid date
Range check	Payment terms between 0 and 180 days; GST rate one of 0/5/18/40% VERIFY
Format check	GSTIN of 15 characters; PAN in AAAAA9999A pattern
Check digit	Last character of GSTIN recomputed from the others
Consistency / cross-field	Due date not earlier than invoice date; IGST only when supplier state differs
Existence / referential	Vendor code must exist in the vendor master
Uniqueness	Same vendor + invoice number cannot be entered twice
Control totals	Batch total of invoices agrees with the sum of lines posted