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MODEL PAPER

PRACTICAL INDUSTRY KNOWLEDGE (PIK) EXAMINATION

[COMPUTER BASED EXAMINATIONS]

Digital Accounting & Financial Modelling
[Managerial Level-2]

TIME ALLOWED: 03 HOURS | MAXIMUM MARKS: 100

Effective from December 2025 Examinations

EXAMINATION DEPARTMENT

MULTIPLE CHOICE QUESTIONS (MCQs)

Question No.1

A finance team spends 20 hours/month generating management reports manually.

After implementing a digital reporting dashboard, report preparation time reduces by **85%**, and CFO wants to calculate **annual productivity savings**, when hourly finance cost = **Rs. 1,200 per hour**.

What is the annual monetary benefit of implementing digital reporting? **[04 Marks]**

A	Rs. 324,000
B	Rs. 480,000
C	Rs. 244,800
D	Rs. 288,000

Question No.2

A company wants to compare physical storage vs cloud storage.
Current annual physical storage costs include:

- Rs. 48,000 for warehouse space
- Rs. 30,000 for file management labor
- Rs. 18,000 lost due to misplaced documents

Cloud document storage costs Rs. 8,000/month and eliminates **100%** of physical storage issues.

What is the **additional annual cost or savings**? **[04 Marks]**

A	Additional cost of Rs. 18,000
B	Savings of Rs. 30,000
C	Savings of Rs. 66,000
D	Additional cost of Rs. 24,000

Question No.3

Before automation, the finance team spends 12 hours/day performing bank reconciliations.
After implementing RPA, reconciliation time reduces by **90%**.
Finance staff hourly rate = Rs. **1,000**
Workdays per month = **26**

What is the **monthly cost saving** from RPA? **[04 Marks]**

A	Rs. 280,800
B	Rs. 295,000
C	Rs. 312,000
D	Rs. 280,000

[Note: The questions made available through this Model Paper reflects the pattern of questions to be tested in exams.]

Question No.4

A company analyzes sales data from 10 branches.
Monthly sales volume = **42,000 transactions**
Historical data shows that **4%** of transactions typically contain pricing errors due to manual entry.
After implementing an analytics-driven validation tool, error rates drop by **85%**.
What is the **new monthly error volume** after analytics implementation? **[04 Marks]**

A	252
B	168
C	630
D	120

Question No.5

Sensitivity analysis in financial modelling helps to: **[04 Marks]**

A	Show how changes in key assumptions affect financial outcomes
B	Remove uncertainty from all forecasts
C	Guarantee the model will always be accurate
D	Block model users from changing inputs

Question No.6

In financial statement modelling, depreciation is usually linked to: **[04 Marks]**

A	Marketing expenses
B	Capital expenditure schedule and useful life assumptions
C	Employee payroll
D	Tax withholding

Question No.7

Terminal value in DCF modelling reflects: **[04 Marks]**

A	The final year's tax payment
B	The value of all cash flows beyond the explicit forecast period
C	Only the last year's revenue
D	One-time extraordinary gains

Question No.8

Risk modelling is primarily used to: **[04 Marks]**

A	Eliminate all financial uncertainty
B	Quantify, analyze, and predict the impact of different risk scenarios on financial outcomes
C	Replace internal audit functions
D	Prepare marketing projections

Question No.9

A key feature of advanced models is the use of: **[04 Marks]**

A	Hardcoded values inside formulas
B	Macros, VBA, and dynamic formulas
C	Only manual inputs
D	Static worksheets without links

[Note: The questions made available through this Model Paper reflects the pattern of questions to be tested in exams.]

Question No.10

In advanced modelling, VBA is typically used to: **[04 Marks]**

A	Perform only basic summation
B	Automate repetitive tasks, scenario switching, and model refresh
C	Replace all Excel formulas
D	Prepare audited financial statements

CASE STUDY

Case Study-1

Orion PetroChem Ltd. is planning to invest Rs. 18 billion in a new petrochemical processing unit to increase production capacity by 40%. Although the project NPV appears positive under the base-case assumptions, the Board is concerned about multiple risks: fluctuating crude oil prices, currency depreciation, high debt financing, and potential regulatory delays. The CFO instructs the risk management team to build a robust risk model incorporating VaR, stress testing, and Monte Carlo simulation.

The initial risk model uses fixed assumptions for crude oil prices and currency rates. During review, the Board notices that actual crude prices have fluctuated between USD 58 and USD 92 over the past 12 months, while the model uses a static assumption of USD 70. Additionally, the company's debt will increase significantly, but interest rate risk is not included in the model. Stress tests reveal that under high oil price volatility and 15% currency depreciation, project cash flows could turn negative in Years 2 and 3. A preliminary Monte Carlo simulation shows that in 22% of scenarios, the project NPV becomes negative.

The Board asks for deeper explanation of the risks, how the model should be improved, and what additional analysis is needed before approving the investment.

Q1. How should crude oil price risk be incorporated more realistically in the model?

Q2. Why does the project show negative cash flows under stress testing?

Q3. What improvements should be made before the Board decides whether to approve the project?

(Marks 15)

Case Study-2

Falcon Infrastructure Holdings is developing a multi-billion rupee toll-road project. The financial model includes dynamic traffic forecasting, inflation-linked toll rates, DSCR-based debt sculpting, multi-phase capex, and government revenue-sharing. A Monte Carlo module simulates traffic volatility and inflation risk. During review, lenders find that a circular reference in the interest calculation causes unstable outputs, and the DSCR fluctuates between 1.05 and 1.90, violating covenant requirements. Additionally, the synergy benefits from integrating a connecting logistic hub were overstated and not phased realistically.

The Board wants to know what model corrections are required before lender submission

Q1. Why does DSCR fluctuate excessively?

Q2. What is wrong with synergy modelling?

Q3. What corrections are required before lender submission?

(Marks 15)

Scenario Based Question-1

(a) A retail chain with 18 outlets receives sales data daily through WhatsApp images of handwritten reports. The finance team manually enters the numbers into Excel sheets for consolidation. Due to errors and mismatched numbers, the internal audit department raises concerns about data reliability. Management wants **real-time visibility**, better **internal controls**, and improved **audit trails** while keeping the system user-friendly for staff.

Which digital accounting approach best meets management requirements?

A. Continue manual Excel sheets but add additional review layers

B. Implement a cloud-based POS integrated with a cloud accounting system

C. Ask each outlet to email the data instead of WhatsApp

D. Introduce blockchain immediately across all outlets

(Marks 5)

(b) A retail business receives over 4,000 daily transactions from its POS systems. Currently, the accounting team imports sales reports manually every evening. Errors in manual uploads have resulted in inaccurate revenue reporting and auditor concerns. Management wants a solution that automatically transfers POS sales data into the accounting system without manual involvement.

Which cloud accounting feature best addresses this requirement?

A. Manual CSV uploads

B. Weekly summary entries

C. API-based system integration for automatic syncing

D. Downloading sales reports from POS each night

(Marks 5)

(c) A distribution company's sales team manually enters sales orders into the accounting system every evening. Errors in quantity and pricing have caused incorrect revenue recognition and customer disputes. The sales team often works in the field and submits handwritten orders to admins, who then re-enter the data. Management wants real-time order processing, accuracy, and digital integration between sales and finance.

Which automation solution is most appropriate?

A. Hiring more data entry operators

B. Using RPA bots to re-enter handwritten sales orders

C. Implementing an automated sales-order management system integrated with the accounting software

D. Entering all orders weekly instead of daily

(Marks 5)

[Note: The questions made available through this Model Paper reflects the pattern of questions to be tested in exams.]

Scenario Based Question-2

(a) A large retail distributor prepares monthly cash-flow forecasts manually, but forecast accuracy is weak. The CFO notices recurring issues: failure to account for seasonal demand spikes, inaccurate revenue projections, and inconsistent accounts receivable patterns. The company wants a forecasting model that uses historical data trends, customer behavior, and real-time updates to improve accuracy.

What is the most appropriate solution?

A. Prepare additional manual spreadsheets

B. Implement predictive analytics using historical financial data and machine learning

C. Switch to quarterly forecasting

D. Stop forecasting until all data issues are resolved

(Marks 5)

(b) A manufacturing firm wants to evaluate whether to launch a new product line. The CFO requests a financial model that includes estimated production costs, selling prices, market demand, and required investment. However, the marketing department warns that demand could vary significantly depending on competitor actions and economic trends.

What should the financial model include to address this uncertainty?

A. Only a single base-case projection

B. Scenario planning with best-case, base-case, and worst-case assumptions

C. A model that avoids forecasting due to uncertainty

D. Only historical data with no decision variables

(Marks 5)

(c) A manufacturing company is preparing a fully integrated 5-year financial model. During review, the CFO notices that the projected balance sheet does not balance after Year 2. The financial analyst explains that the issue occurred because the depreciation and capital expenditure schedules were not properly linked to the fixed asset section. As a result, accumulated depreciation and net book value are incorrect.

What should be the analyst's FIRST corrective action?

A. Delete the depreciation schedule

B. Hardcode values to force the balance sheet to balance

C. Re-link the depreciation and capex schedules to the fixed asset roll-forward and financial statements

D. Remove asset purchases from the model

(Marks 5)

THE END