[Total No. of Questions - 20] [Total No. of Printed Pages - 3]
(2124)

1886 J-24

MBA 4th Semester Examination

Strategic Financial Management (NS)

FM-05

Time : 3 Hours **Max. Marks : 60**

e candidates shall limit their answers precisely within the answer-book (40 pages) issued to them and no supplementary/continuation sheet will be issued.

SECTION - A

Answer all the questions. Each question carries 2 marks.

1. What is expected monetary value?
2. List the steps of strategic planning process.
3. Differentiate between risk and uncertainty.
4. Define certainty equivalent factor.
5. What is modified IRR?

   What is the purpose of income statement?

7. What is financial modeling?
8. Write a brief about Buy back of shares.
9. What is leveraged buyout?
10. Define Demerger. (2×10=20)

[P.T.O.]

SECTION - B

Answer any four of the following. Each question carries 5 marks.

11. Is the standard deviation an adequate measure of risk? Can you think of a better measure?

12. What role does the correlation play between net present values in the risk of a portfolio of investment projects.

13. Describe briefly two factors model.

14. Write a brief note on corporate valuation.

15. How would one evaluate the acquisition of going concern.

16. Explain distress restructuring. (4×5=20)

SECTION - C

Attempt any two of the following. Each question carries 10 marks.

17. Explain 'Nine references' model for strategic financial management.

18. A project involving an outlay of ₹ 10 million has the following benefits associated with it.

Year 1		Year 2		Year 3	
Cash flow (₹ in million)	Prob.	Cash flow (₹ in million)	Prob.	Cash flow (₹ in million)	Prob.
4	0.4	5	0.4	3	0.3
5	0.5	6	0.4	4	0.5
6	0.1	7	0.2	5	0.2

Assume that cash flows are independent. Calculate the expected net present value and standard deviation of the net present value assuming that I = 10 percent.

19. ABC Ltd. has current assets of ₹ 800,000 and current liabilities of ₹ 500,000. What effect would the following transactions have on the firm's current ratio.

    (a) Two pickup auto are purchased for a total of ₹ 100,000 in cash.

    (b) The company borrows ₹ 100,000 short term to carry an increase in receivable of same amount.

    (c) Additional common stock of ₹ 200,000 is sold and preserved in the expansion of the company.

    (d) The company increases its account payable to pay a cash dividend of ₹ 40,000 out of cash.

20. The following data are pertinent for companies A and B

	Company A	Company B
Present earnings (in million)	₹ 24	₹ 4
No. of shares (in million)	10	1
Price/earning ratio	18	10

    (a) If the two companies were to merge and the share exchange ratio were 1 share of company A for each share of company B, what would be the initial impact on earning per share of the two companies? What is the market value exchange ratio? Is the merger likely to take place?

    (b) If the share exchange ratio were 2 shares of company A for each share of company B. What would happen with respect to part (a)?

    (c) What exchange ratio would you suggest? (2×10=20)