R22 Regulation *Subject code: D144FE2*

TKR COLLEGE OF ENGINEERING AND TECHNOLOGY

(Autonomous, Accredited by NAAC with 'A+' Grade)

MBA IV Semester Supplementary Examinations, February 2025

STRATEGIC FINANCIAL MANAGEMENT

Maximum Marks: 60 Date:11.02.2025 Duration: 3 hours

Note: **1.This question paper contains two parts A and B.**
2. Part A is compulsory which carries 10 marks. Answer all questions in Part A.
3. Part B consists of 5 Units. Answer any one full question from each unit.
4. Each question carries 10 marks and may have a, b, c, d as sub questions.

	Part-A	CO	BTL
All the following questions carry equal marks (10X1M=10 Marks)			
1.a)	Define financial forecasting.	CO1	L1
b)	State any two characteristics of SFM.	CO1	L1
c)	Define probability distribution of cash flow.	CO2	L1
d)	Define risk.	CO2	L1
e)	What is discounted payback period?	CO3	L1
f)	What is simple investment?	CO3	L1
g)	Define financial discipline.	CO4	L1
h)	Define capital structure.	CO4	L1
i)	Define acquisition.	CO5	L1
j)	What is reverse merger?	CO5	L1
	Part-B		
Answer All the following questions. (5X10M=50Marks)		CO	BTL
2	Discuss the various elements of strategic financial management. [10M]	CO1	L2
	OR		
3	Explain the Success Factors of Strategic Financial Management. [10M]	CO1	L2
4	An investment of $40,000 today is expected to give rise to annual contribution of $25,000. This is based on selling one product, with a sales volume of 10,000 units, selling price of $12.50 and variable costs per unit of $10. Annual fixed cost of $10,000 will be incurred for the next four years; the discount rate is 10%. (a) Calculate the NPV of this investment. (b) Calculate the sensitivity of your calculation to the following: (i) Initial Investment. (ii) Selling price per unit. (iii) Sales volume. iv) Fixed costs. (v) Discount rate. [10M]	CO2	L3
	OR		
5	Discuss the investment decisions under capital constraints. [10M]	CO2	L2

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<tr><td>6</td><td>X company is considering two projects M&N, each of which require an initial outlayof Rs.50 lakhs. The expected cash inflows from these projects are:
<table>
<tr><th>Year</th><th>Project M</th><th>Project N</th></tr>
<tr><td>1</td><td>12</td><td>37</td></tr>
<tr><td>2</td><td>18</td><td>24</td></tr>
<tr><td>3</td><td>33</td><td>19</td></tr>
<tr><td>4</td><td>36</td><td>12</td></tr>
</table>
a) What is the PBP for each of the project?
b) If the two projects are mutually exclusive and the cost of capital 15%. Which project the first should invest in? [10M]</td><td>CO3</td><td>L3</td></tr>
<tr><td></td><td>OR</td><td></td><td></td></tr>
<tr><td>7</td><td>Examine the utility of Hertz's simulation model, in assessing risky project proposals for investment decisions. [10M]</td><td>CO3</td><td>L2</td></tr>
<tr><td>8</td><td>Explain the factors determining capital structure. [10M]</td><td>CO4</td><td>L2</td></tr>
<tr><td></td><td>OR</td><td></td><td></td></tr>
<tr><td>9</td><td>Explain briefly about Signaling Theory. [10M]</td><td>CO4</td><td>L2</td></tr>
<tr><td>10</td><td>Rosy Ltd. is contemplating the purchase of Lily ltd. Rosy ltd has 3,00,000 shares having a market price of Rs. 30 per share while Lily ltd has 2,00,000 shares selling at Rs. 20 per share. The EPS of rosy ltd and Lily ltd are Rs. 4 and Rs. 2.25 respectively. There is a proposal for exchange of 0.5 share of Rosy Ltd for 1 share of Lily ltd. Calculate EPS after merger and the impact on EPS for the shareholders of both the companies. [10M]</td><td>CO5</td><td>L3</td></tr>
<tr><td></td><td>OR</td><td></td><td></td></tr>
<tr><td>11</td><td>Define diversification? Explain different types of diversification. [10M]</td><td>CO5</td><td>L2</td></tr>
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