

School of Finance and Commerce

Commerce
ETE - May 2023

Time : 3 Hours

Marks : 50

Sem IV - MBAF6046 - Strategic Financial Management

Your answer should be specific to the question asked

Draw neat labeled diagrams wherever necessary

1. Discuss the importance of strategic financial management in today scenario. K2 CO1 (2)
2. Difference between NPV and IRR. K2 CO2 (2)
3. Explain the certainty equivalent approach. K3 CO3 (2)
4. Define the mental accounting bias with a suitable example. K3 CO4 (2)
5. Explain the diluted EPS. K4 CO5 (2)
6. Describe the three broad areas of financial management. K3 CO1 (5)
7. A project that costs 10 lacs and lasts 5 years is projected to make a profit before taxes and depreciation of 2,50,000, 3,00,000, 3,50,000, 4,00,000, and 500,000, respectively. On the WDV Method, assume a tax rate of 33.99% and 30% depreciation. Calculate ARR. K3 CO2 (5)
8. B Ltd. is prosperous and wants to acquire more companies. Its PE ratio of 17 indicates significant profits and dividend growth. B Ltd.'s Board of Directors has been informed that it might enhance its earnings per share by taking over enterprises with a lower PE ratio utilising a share-for-share exchange. C Ltd., with a PE ratio of 10 and 1,00,000 shares in issue at Rs. 15, is a viable acquisition target. B Ltd. owns 5,00,000 shares at Rs. 12. Calculate B Ltd.'s profits per share if it buys C Ltd. by issuing shares at Rs. 12. Consider B Ltd. prices for shares stay constant. K5 CO5 (6)
9. From the under mentioned facts, compute the net present values (NPVs) of the two projects for each of the possible cash flows, using sensitivity analysis. K4 CO3 (8)

Particulars	Project X	Project Y
Initial cash outlays	30,000	30,000
Cash inflow estimates (t = 1-10)		
Worst	8,000	0
Most likely	10,000	12,000
Best	15,000	20,000
Required rate of return	0.11	0.11
Economic life (years)	10	10
10. "Psychology and behavior of an investor is founding stone for behavioral finance" comment on this statement. K4 CO4 (8)
11. Explain synergy in the context of mergers and acquisitions with suitable example. K5 CO5 (8)