

PARUL UNIVERSITY
FACULTY OF MANAGEMENT
MBA Summer 2018-19 Examination

Semester: 3
Subject Code: 06201201
Subject Name: Strategic Financial Management

Date: 04/05/2019
Time: 2:00 pm to 4:30 pm
Total Marks: 60

Instructions

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as Directed.

A). Multiple choice type questions/Fill in the blanks. (Each of 1 mark) (05)

1. The market value of the firm is the result of _____.
 - a. Dividend decisions.
 - b. working capital decisions.
 - c. Capital budgeting decisions.
 - d. trade-off between risk and return.
2. A risk free stock has a beta of _____.
 - a. 1
 - b. -1
 - c. 0
 - d. None of the above
3. Which of the following is not a non diversifiable risk?
 - a. Interest rate risk.
 - b. Purchasing power risk.
 - c. Operating risk.
 - d. Market risk.
4. The _____ decision involves a determination of the total amount of assets needed, the composition of the assets, and whether any assets need to be reduced, eliminated, or replaced.
 - a. Asset management.
 - b. Financing.
 - c. Investment.
 - d. Accounting.
5. To increase a given future value, the discount rate should be adjusted _____.
 - a. Upward.
 - b. downward
 - c. First upward and then downward.
 - d. None of the above

B). Define the following. (Each of 1 mark) (05)

1. Risk
2. Strategic Financial Management
3. Financial Architecture
4. RADR
5. Nominal Rate of Return

C). Answer the following: (05)

1. Strategic Management
2. Decision Tree
3. Market Value Added
4. EVA
5. Unexpected Profits

Q.2 Answer the following questions.

- A). Profit maximization vs. Wealth maximization is a very common but a very crucial dilemma. In relation to this distinguish between the goals of Financial Management. (07)**
- B). Discuss the levels of Strategy with example. (08)**

Q.3 Answer the following questions.

- A). “Strategic financial management has the role to establish that your organization will finance its operations to achieve each milestone and maximize its profits” – In light of the given statement discuss the need of SFM. (07)**

- B). An Educational Institute is planning to install air-conditioner for its new computer centre. It has received proposals from 2 manufactures. The first proposal is for installation of 6 window AC@ Rs 25000 each. The other is of purchasing split air conditioners of equal capacity at a total of Rs. 200000. The useful life of window AC is 6 years and Split AC is 10 years. The Operating Cost of both the proposals are given as below:

Year	Proposal 1	Proposal 2
1	20000	18000
2	20000	18000
3	20000	18000
4	25000	22000
5	25000	22000
6	25000	22000
7		26000
8		26000
9		26000
10		26000

(08)

The salvage Value of the window air conditioner at the end of 6 years is expected to be Rs. 10000 and that of a split AC Rs 15000. Advise educational institute as which proposal to be selected if the cost of capital is 10%.

Q.4 Attempt any two questions. (Each of 7.5 mark)

(15)

1. "Financial Planning is the process of estimating the capital required and determining its competition. It is the process of framing financial policies in relation to procurement, investment and administration of funds of an enterprise."- As a Finance Manager of the Firm list out the steps you would carry to conduct the financial planning of your organization.
2. Bharat Ltd. provides you the following detail, you are requested to find the value of the company:
2,000, 9% Preference Share of Rs. 100 each Rs. 2,00,000
50,000 Equity Share of Rs. 10 each,
Rs. 8 per share paid up Rs. 4,00,000
Expected profit p.a. before tax Rs. 2,18,000
Rate of tax 40%
Transfer to General Reserve every year 20% of profit
Normal Rate of earning 15%
3. "Strategic Financial Planning is subject to the various macro and micro environmental factors." Elaborate.
4. What is an Industrial Sickness? Discuss factors causing Industrial Sickness and also give 2 examples of Financially Sick Industries in India.