Printed Page:-

Subject Code:- BMBIE0217

Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

MBA - IEV

SEM: II - THEORY EXAMINATION (20.... - 20.....)

Subject: Strategic Financial Management

Time: 3 Hours Max. Marks: 100

General Instructions:

IMP: *Verify that you have received the question paper with the correct course, code, branch etc.*

1. This Question paper comprises of three Sections -A, B, & C. It consists of Multiple Choice Questions (MCQ's) & Subjective type questions.

2. Maximum marks for each question are indicated on right -hand side of each question.

3. Illustrate your answers with neat sketches wherever necessary.

4. Assume suitable data if necessary.

5. Preferably, write the answers in sequential order.

6. No sheet should be left blank. Any written material after a blank sheet will not be evaluated/checked.

SECTION-A 20

1. Attempt all parts:-

1-a. A merger involves: (CO1,K2) 1

(a) Only share purchase
(b) Combination of two firms
(c) Issue of debt instruments
(d) Internal restructuring

1-b. In a leveraged buyout (LBO), the acquisition is primarily financed through:(CO1,K1) 1

(a) Equity
(b) Retained earnings
(c) Debt
(d) Preference shares

1-c. Hybrid instruments are attractive to investors because they offer:(CO2,K2) 1

(a) Tax exemptions
(b) Only capital gains
(c) Fixed returns with upside potential
(d) Zero risk

1-d. One major risk of hybrid securities is:(CO2, K2) 1

(a) Guaranteed returns
(b) No ownership rights

(c) Complexity and limited liquidity

(d) Government regulation

1-e. Projects with the same IRR but different scale may result in:(CO3,K3) 1

(a) No conflict

(b) Same NPV

(c) Ranking conflict

(d) Similar results

1-f. Accounting Rate of Return (ARR) is based on:(CO3,K2) 1

(a) Cash flow

(b) Time value of money

(c) Average profit

(d) Market return

1-g. Control premium is added when:(CO4,K2) 1

(a) Selling to a competitor

(b) Minority interest is sold

(c) Buyer acquires controlling stake

(d) Assets are undervalued

1-h. The Dividend Discount Model (DDM) is used to value:(CO4,K2) 1

(a) Bonds

(b) Equity shares

(c) Debentures

(d) Mutual funds

1-i. Technology sharing among firms is often achieved via:(CO5,K2) 1

(a) Hostile takeovers

(b) Strategic alliances

(c) Divestitures

(d) Stock splits

1-j. A leveraged buyout (LBO) involves:(CO5,K1) 1

(a) Buying using only equity

(b) Government acquisition

(c) Purchase of a company using borrowed funds

(d) Selling majority stake

2. Attempt all parts:-

2.a. How do external economic factors influence strategic financial planning?(CO1,K3) 2

2.b. Explain the importance of mutual funds as a financial investment avenue.(CO2,K2) 2

2.c. Discuss the role of risk-adjusted discount rate in project evaluation.(CO3,K2) 2

2.d.	Determine the terminal value using Gordon Growth Model: FCFF at end of year 5 is ₹50,000, g = 4%, r = 10%.(CO4,K4)	2
2.e.	Discuss the importance of cash flow management during restructuring.(CO5,K2)	2

SECTION-B 30

3. Answer any five of the following:-

3-a.	Explain the role of SWOT analysis in corporate planning.(CO1,K1)	6
3-b.	In which manner does SFM contribute to sustainable value creation?(CO1,K2)	6
3-c.	Analyze the effect of political risk on international investment instruments.(CO2,K4)	6
3-d.	Explain the role of institutional investors in international capital markets.(CO2,K2)	6
3.e.	Explain how diversification helps in risk reduction.(CO3,K2)	6
3.f.	Explain the legal and ethical considerations in conducting business valuations.(CO4,K1)	6
3.g.	Explain the role of government policies in financial restructuring.(CO5,K1)	6

SECTION-C 50

4. Answer any one of the following:-

4-a.	Describe the mechanisms creditors use to protect their interests.(CO1,K1)	10
4-b.	Explain how companies can balance the interests of creditors and stockholders.(CO2, K2)	10

5. Answer any one of the following:-

5-a.	Compare the investor perspectives on convertible bonds versus equity shares.(CO2,K2)	10
5-b.	Analyze the impact of hybrid securities on financial risk and return.(CO2,K4)	10

6. Answer any one of the following:-

6-a. Setup cost: ₹2,00,000 — 10

Projected net cash inflows:

Year 1: ₹40,000

Year 2: ₹50,000

Year 3: ₹60,000

Year 4: ₹70,000

Year 5: ₹80,000

Discount rate: 10%

Task: Calculate Payback Period, NPV, and IRR. Make a decision on proceeding.(CO3,K4)

6-b. New Production Line 10

Year Cash Flow (₹)
0 -2,75,000
1 75,000
2 85,000
3 90,000
4 1,00,000
5 1,20,000

Task: Caculate Payback Period, NPV @ 10%, and IRR. Should the project be accepted?(CO3,K4)

7. Answer any one of the following:-

7-a. A firm has an earnings per share of Rs. 7.50 and a dividend payout of 35%. An investor requires a 14% before tax return on this kind of stock. The growth rate is 7%. What is the Intrinsic Value of stock.(CO4,K4) 10

7-b. Describe a real-world scenario where asset-based valuation is most appropriate.(CO4,K6) 10

8. Answer any one of the following:-

8-a. Define share buyback and discuss its effects on company valuation and shareholder wealth.(CO5,K2) 10

8-b. Define leveraged buyout (LBO) and explain the mechanics of an LBO transaction.(CO5,K2) 10

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