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**MBAS 504**

**Third Semester M.B.A. Degree Examination, December 2017**  
**BUSINESS ADMINISTRATION**  
**Strategic Financial Management**

Time : 3 Hours

Max. Marks : 70

**SECTION – A**

**Note :** Answer **any two** questions. **Each** question carries **10** marks. Answer to **each** question should **not** exceed **5** pages. **(2×10=20)**

1. Elucidate the functions of financial management.
2. Discuss the future prospects of venture capital financing.
3. Bring out and explain different stages in project preparation.

**SECTION – B**

**Note :** Answer **any three** questions. **Each** question carries **12** marks. Answer to **each** question should **not** exceed **6** pages. **(3×12=36)**

4. Explain different valuation concepts.
5. Describe the need for good institutional setup for term finance.
6. The following information relates the financial positions of two companies.

Details	Company A	Company B
EBIT	12,00,000	15,00,000
PBT	3,20,000	4,00,000
Fixed Cost	7,00,000	8,00,000

Rs.

Calculate the percentage change in EPS if sales declined by 10 percent and comment on financial status of the companies.

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7. The EBIT of company is Rs. 60,000. The company has Rs. 2,50,000, 10 percent debentures. The equity capitalisation rate is 12 percent. The firm has decided to raise amount of debenture by Rs. 1,00,000 or decrease the amount of debenture to Rs. 1,50,000. The cost of debt and equity remain unaffected. Compute the value of the firm and cost of capital according to net income approach and comment on the result.
8. A company expects to pay a dividend of Rs. 10 per share next year that is expected to grow at 8 percent. It retains 40 percent of its earning. Assume a capitalisation rate of 10 percent. Calculate EPS, ROE and the value of growth opportunities and comment on the results.

SECTION – C  
(Compulsory)

(1×14=14)

Answer to each question should not exceed 6 pages.

9. A Company belongs to a risk class for which the capitalisation rate is 10 percent it currently has outstanding 25000 shares selling at Rs. 100 each. The firm wants to distribute a dividend of Rs. 5 per share at the end of the current financial year. The company expects to have a net income of Rs. 2,50,000 and has a proposal for making new investment of Rs. 5,00,000. Show that under the MM assumptions, the payment of dividends does not affect the value of the firm.

Particulars	Company A	Company B
EBIT	250000	250000
PBT	200000	200000
Fixed cost	100000	100000

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The following questions are to be answered in 10 percent and comment on financial statements.