Reg. No. [ ]

MBAS 504

Third Semester MBA Degree Examination, April/May 2024
BUSINESS ADMINISTRATION
Strategic Financial Management

Time : 3 Hours Max. Marks : 70

SECTION – A

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

1. Explain the objectives and scope of financial management. What functions do financial managers perform in a modern enterprise ?

2. Explain the key difference between Strategy and Policy.

3. What is corporate valuation ? Why is it important for financial decision making ?

SECTION – B

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

4. How can the various Intangible assets be valued ?

5. Explain the various approaches to Corporate Valuation.

6. What are various risk mitigation measures in managing corporate risk ?

7. Three bonds have face value of Rs. 1000, coupon rate of 12.5 percent and maturity of 5 years. One pays interest annually, second pays interest half yearly and third pays interest quarterly. Calculate the price of the bonds if the required rate of return is :

   a) 10%

   b) 12% and

   c) 16%

8. A company's expected net operating income is Rs. 1,00,000. The company has Rs. 3,00,000, 10 percent debentures. The equity capitalization rate of the company is 12.5 percent. The firm has decided to raise the amount of debt by Rs. 1,50,000 and uses the proceeds to retire the equity shares or decrease the amount of debt by 1,50,000 and a fresh issue of equity shares is made to retire the debt. Examine the effect of change in capital structure on the firm's value according to NOI approach.

SECTION – C
(Compulsory)

Answer to this question should **not** exceed **six** pages. **(1×14=14)**

9. An investor is considering to invest in Company A or Company B.

   The managing director of Company A decides that his company will not pay any dividends for another 10 years. After ten years it is expected that the company could pay dividends of Rs. 30 per share indefinitely. The required rate of return of this company's shareholders is 10 percent.

   Company B is currently paying a dividend of Rs. 2 per share. The dividend is expected to grow at a 15 percent annual rate for five years, that at 10 percent for the next 5 years, after that it is expected to grow at a 5 percent rate forever. The required rate of return of this company's shareholders is 9 percent.

   What should the investor do ?