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MBAS 304

Third Semester M.B.A. Degree Examination, March/April 2026

**BUSINESS ADMINISTRATION
Strategic Financial Management**

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any two** questions. Answer to **each** question should **not** exceed **5** pages.

Each question carries **10** marks :

(2×10=20)

1. What is meant by optimum capital structure ? Discuss the factors that should be considered while deciding firms capital structure.
2. Elucidate the functions of financial management.
3. Explain the various approaches to corporate valuation.

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SECTION – B

Answer **any three** questions. Answer to **each** question should **not** exceed

8 pages. **Each** question carries **12** marks :

(3×12=36)

4. What are the patents ? Discuss the purpose and bases for valuing intangible assets.
5. What do you mean by value based management ? Explain in detail the direct measure of value creation by Mckinsey module.
6. ABC Ltd. paid a dividend of Rs. 4 per share at the end of the year. It is expected to grow at 8% each year for the next 4 years. The market price of the shares is expected to be Rs. 60 at the end of 4 years. Assuming 12% required rate of return of the investors, at what price should the shares of ABC Ltd. sell ?

P.T.O.



7. Assuming no taxes and given the EBIT, interest at 10% and equity capitalization rate below, calculate the total market value of each firm also determine the overall cost of capital.

Firms	EBIT (Rs.)	I (Rs.)	K_e (percent)
X	2,00,000	20,000	12
Y	3,00,000	60,000	16
Z	5,00,000	2,00,000	15
W	6,00,000	2,40,000	18

8. ABC company has compiled the information shown in the following table.

Source of Capital	Book Value (Rs.)	Market Value (Rs.)	After Tax Cost (%)
Equity	10,80,000	30,00,000	17
Preference Stock	50,000	60,000	13
Long Term Debt	45,00,000	38,40,000	6
Total	56,30,000	69,00,000	

- a) Calculate the weighted cost of capital using book value weights.
b) Calculate the weighted cost of capital using market value weights.

SECTION – C
(Compulsory)

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Answer to this question should **not** exceed **6** pages :

(1×14=14)

9. A company belongs to a risk class for which the appropriate capitalization rate is 10%. It currently has outstanding 25,000 shares selling at Rs. 100 each. The firm is contemplating the declaration of a dividend of Rs. 5 per share at the end of current financial year. It expects to have a net income of Rs. 2,50,000/- and has a proposal of making a new investments of Rs. 5,00,000/-. Show that under MM assumptions, the payment of dividend does not affect the value of the firm.