

[Total No. of Questions - 20] [Total No. of Printed Pages - 3]
(2064)

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MBA 4th Semester Examination
Strategic Financial Management (N.S.)

FM-05

Time : 3 Hours

Max. Marks : 60

The candidates shall limit their answers precisely within the answer-book (40 pages) issued to them and no supplementary/continuation sheet will be issued.

SECTION - A

Note: Answer all the questions. Each question carries 2 marks.

1. Define portfolio.
2. What is CAPM?
3. What is sensitivity analysis?
4. Explain key back period.
5. Differentiate between NPV and IRR.
6. What are some limitations on the use of financial statements?
7. List abuses of financial modeling.
8. Write in brief about buy back of shares.
9. Explain spin off.
10. What is reverse merger? (2×10=20)

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SECTION - B

Note: Answer any four of the following. Each question carries 5 marks.

11. What are the benefits of using simulation to evaluate capital investments project?
12. What are the pros and cons of sensitivity analysis?
13. Describe in brief Arbitrate pricing theory.
14. Write a note on corporate valuation.
15. What are acquisitions and mergers? How are they different?
16. List benefits and cost of merger. (4×5=20)

SECTION - C

Note: Answer any two of the following. Each question carries 10 marks.

17. Describe the CAPM and explain how it may assist in the determination of the discount rate used in the appraisal of capital projects. Also describe the major difficulties inherent in its practical application and use.
18. Jankiram is considering an investment which requires a current outlay of ₹ 25,000. The expected value and standard deviation of cost flows are:

Year	Expected Value	Standard Deviation
1	₹ 12,000	₹ 5000
2	10,000	6000
3	9,000	5000
4	8,000	6000

The cash flows are perfectly correlated. Calculate the expected net present value and standard deviation of net present value of this investment, if the risk for interest is 8 percent.

19. The data for various companies in the same industry are as follows:

	Company					
	A	B	C	D	E	F
Sales (in million)	₹100	₹200	₹80	₹50	₹120	₹170
Total assets (in million)	80	100	60	25	40	80
Net income (in million)	7	20	8	5	15	10

Determine the total asset turnover, net profit margin, and earning power for each of the companies.

20. Yablonski cordeage company is considering the acquisition of Yawitz wire and mask company with common stock. Relevant financial instrument is as follows:

	YABLONSKI	YAWITZ
Present earning (in thousands)	₹4000	₹1000
Common shares outstanding (in thousands)	3000	800
EPS	₹2,000	₹1.25
P/E Ratio	12	8

Yablonski plans to offer a premium of 20% over the market price of Yawitz stock.

- What is the ratio of exchange of storck? How many new shares will be issued?
- What are EPS for the surviving company immediately following the merger?
- If the P/E ratio for Yablonski stays at 12, what is the price per share of the surviving company? What would happen if P/E ratio went to 11? $2 \times 10 = 20$