

Enrollment No: \_\_\_\_\_ Exam Seat No: \_\_\_\_\_

# C.U.SHAH UNIVERSITY

## Summer Examination-2016

**Subject Name: Strategic Financial Management**

**Subject Code: 4MS06SFM1**

**Branch: BBA/MAM**

**Semester: 6**

**Date 13/05/2016**

**Time: 02.30 to 05.30**

**Marks: 70**

Instructions:

- (1) Use of Programmable calculator & any other electronic instrument is prohibited.
  - (2) Instructions written on main answer book are strictly to be obeyed.
  - (3) Draw neat diagrams and figures (if necessary) at right places.
  - (4) Assume suitable data if needed.
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- Q-1 Attempt the following questions: (14)**
- a) In \_\_\_\_\_ approach, the capital structure decision is relevant to the valuation of the firm 01  
A Net income  
B Net operating income  
C Traditional  
D Miller and Modigliani
- b) \_\_\_\_\_ refers to the length of time allowed by a firm for its customers to make payment for their purchases. 01  
A) Holding period  
B) Pay-back period  
C) Average collection period  
D) Credit period
- c) In MM model MM stands for... 01  
A M.Khan and Modigiliani  
B. Miller and M.Khan  
C Modigiliani and M.Khan  
D Miller and Modigliani
- d) \_\_\_ enhance the market value of shares and therefore equity capital is not free of cost. 01  
A Face value  
B Dividends  
C Redemption value  
D Book value
- e) When \_\_\_\_\_ is greater than zero the project should be accepted. 01  
A Internal rate of return  
B Profitability index



- C Net present value  
D Modified internal rate of return
- f) Give formula of EPS. 01  
g) Give meaning of Project Planning. 01  
h) Give full name of PERT. 01  
i) Write the meaning of Capital budgeting. 01  
j) Give formula of Payback period. 01  
k) Give full name of FCFE. 01  
l) Give full name of MBO. 01  
m) What do you mean by Industrial sickness? 01  
n) Write the formula of financial leverage. 01

**Attempt any four questions from Q-2 to Q-8**

- Q-2 Attempt all questions (14)**
- 1 Discuss the 9-S model for strategic financial management 07  
2 What do you mean by financial forecasting? Discuss the tools of financial forecasting. 07

- Q-3 Attempt all questions (14)**
- 1 Discuss the different reasons for valuation of enterprise 07  
2 Write notes on Capital assets pricing model 07

- Q-4 Attempt all questions (14)**
- 1 What do you mean by corporate restructuring? Discuss different techniques for corporate restructuring. 07  
2 Calculate the average rate of return for project A and B. 07

	Project A	Project B
Investment	20,000 Rs	30,000 Rs
Expected Life ( No Salvage value)	4 Year	5 Year

**Projected Net Income ( After Interest, Depreciation , & Taxes)**

Year	Project A	Project B
1	2000	3000
2	1500	3000
3	1500	2000
4	1000	1000
5	-	1000
Total	6000	10000

If required rate of return is 12% which project should be undertaken?

- Q-5 Attempt all questions (14)**
- 1 Project X and Y cost Rs 50000 and Rs 25000 respectively. Their cash flow are 07



given below. You are required to find out internal rate of return and give conclusion that which project is more profitable.

Year	Project X(Cash Inflow)	Project Y (Cash Inflow)
1	5000	10000
2	15000	10000
3	30000	10000
4	20000	10000
5	10000	-

**Table Value:**

Year	16%	20%	18%	22%
1	0.862	0.833	0.847	0.820
2	0.743	0.694	0.718	0.672
3	0.641	0.579	0.609	0.551
4	0.552	0.482	0.518	0.451
5	0.476		0.437	

- 2 Write a note on Network analysis **07**
- Q-6 Attempt all questions (14)**
- 1 Write differences between operating leverage and financial leverage **07**
- 2 Describe the strategic planning process. **07**
- Q-7 Attempt all questions (14)**
- 1 Discuss differences between NPV and IRR. **07**
- 2 Discuss the factors determining capital structure **07**
- Q-8 Attempt all questions (14)**
- 1 Describe the types of project control **07**
- 2 Write the merits and demerits of sensitivity analysis **07**

