QP Code: RF21MBA037 Reg. No | | | | | | | | | | | AR 21

GIET UNIVERSITY, GUNUPUR – 765022

M. B. A (Third Semester) Examinations, February – 2023

21MBAFM23001 - Strategic Corporate Finance

Time: 3 hrs Maximum: 60 Marks

(The figures in the right hand margin indicate marks.)

PART – A **(2 x 10 = 20 Marks)**

Q.1. Answer ***ALL*** questions

		CO #	Blooms Level
a.	Cost advantage strategy	01	K2
b.	Strategic Cost Management	01	K2
c.	Memorise two traditional Capital Budgeting evaluation methods	03	K2
d.	Name the different long-term financial decisions	03	K2
e.	Summarize COSO	04	K2
f.	Explain Strategic risk	02	K2
g.	Give the Steps of calculating economic value added	04	K2
h.	Define Capital Rationing	02	K2
i.	Name the approaches to corporate valuation	04	K4
j.	Describe RONA	04	K4

PART – B **(8 x 5 = 40 Marks)**

Answer ***ALL*** questions

		Marks	CO #	Blooms Level
2. a.	Apprise the 9s Module of SFM	8	01	K2
	(OR)			
b.	Discuss the element of Strategic Financial Management	8	01	K2
3.a.	Discuss types of risk in detail.	8	02	K2
	(OR)			
b.	Following are the probability distribution of returns of portfolio of Stock A and Stock B in equal proportion of weight in each state of economy. You are required to calculate Expected Return and Risk for individual Stocks?	8	02	K4

State of Economy	Probability	Return on Stock A (%)	Return on Stock B (%)
1	0.2	15	(5)
2	0.2	(5)	15
3	0.2	5	25
4	0.2	35	5
5	0.2	25	35

4.a.	Describe long-term investment decisions and phases of long-term investment decisions	8	03	K2
	(OR)			
b.	Elaborate estimation of project cash flows	8	03	K2
5.a.	Memorise traditional methods of capital budgeting techniques	8	04	K2
	(OR)			
b.	The expected rates of return and possibilities of their occurrence for Alpha company and Beta Company Scrips are given below:	8	04	K4

Probability of Occurrence	Return on Alpha's Scrip	Return on Beta's Scrip
0.05	-2.0	-3.0
0.20	9.0	6.0
0.50	12.0	11.0
0.20	15.0	14.0
0.05	26.0	19.0

i. Find out the expected rates of return for Alpha and Beta Scrip.
ii. If an investor invests equal proportion on both the scrips what would be the return?

6.a.	Valuation of business and the reasons for valuation- Comment	8	05	K2
	(OR)			
b.	Suppose you're a financial analyst at a company, and you are recommending whether the company should invest in Project A or Project B. Each of the two projects has been proposed by a lead engineer, but the company can only invest in creating one of them this year, and so your manager wants you to give her advice on which one to invest in. Your company's WACC is 9%, so you'll use 9% as your discount rate. Here are the two projects:	8	05	K4

Year	Cash Flows (Rs.) - Project A	Cash Flows (Rs.) - Project B
0	-30,00,000	-30,00,000
1	20,00,000	Nil
2	40,00,000	Nil
3	40,00,000	Nil
4	20,00,000	Nil
5	Nil (project completed)	1,40,00,000

Project A starts with an initial investment to make a tech product, followed by a growing income stream, until the product becomes obsolete and is terminated. Project B starts with an initial investment to make a different product, and makes no sales, but the whole product is expected to be sold in five years to some other company for a large payoff of Rs.1,40,00,000. Which project, assuming both carry the same risk, should the financial analyst recommend to her manager?

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