

R22

Code No: 784AF

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA IV Semester Examinations, February - 2025
STRATEGIC FINANCIAL MANAGEMENT

Time: 3 Hours

Max.Marks:60

Note: This question paper contains two parts A and B. i) **Part- A** for 10 marks, ii) **Part - B** for 50 marks.

- Part-A is a compulsory question which consists of ten sub-questions from all units carrying equal marks.
- Part-B consists of **ten questions** (numbered from 2 to 11) **carrying 10 marks each**. Each of these questions is from each unit and may contain sub-questions. For each question there will be an “either” “or” choice, which means that there will be two questions from each unit and the student should answer either of the two questions.

PART - A

(10 Marks)

- 1.a) Describe the importance of Financial Forecasting. [1]
- b) Brief on Financial Planning Process. [1]
- c) What is Capital Rationing? [1]
- d) Illustrate Pure Play Technique. [1]
- e) Brief on Real Options. [1]
- f) Illustrate the Discounted Pay back. [1]
- g) What is Financial Flexibility? [1]
- h) Describe the Liquidation process. [1]
- i) What is Value-based Management? [1]
- j) What is the need for Diversification? [1]

PART - B

(50 Marks)

2. Define Agency theory and explain about the Constituents and Criticism of Agency Theory. [10]

OR

3. Explain about the steps involved in the process of Problem-solving process and importance of Decision-making in financial planning. [10]

4. “Risk analysis is an essential feature of investment decision making process”. What are the major risk factors and how will you control them? [10]

OR

5. Explain in detail about Corporate Cost of Capital and Divisional Cost of Capital and their uses. [10]

(Contd...)

6. Zootex is considering building either a one-store (Project A) or five-store (Project B) block of offices on a prime site. The following information is available:

	Initial Investment Outlay	Net Inflow at the Year End I	Net Inflow at the Year End II	Net Inflow at the Year End III
Project A	-9,500	11,500	10500	9500
Project B	-15,000	18,000	16000	14000

Assume $K = 10\%$, which project should Zootex undertake? Suggest by using NPV. [10]

OR

- 7.a) Explain about different techniques for strategic investment decision making.
 b) Examine the impact of inflation on capital budgeting decision. [5+5]
8. Define Financial Distress and explain characteristics and causes of Financial Distress. What are the costs of Financial Distress? [10]

OR

9. A Company provides the following 2 possible Capital Structure as on 31st March, 2024.

Particulars	Situation 1	Situation 2
Equity Share Capital (Shares of Rs 10 each, fully paid up)	30,00,000	30,00,000
Reserves & Surplus		
General Reserve	12,00,000	12,00,000
Securities Premium	6,00,000	6,00,000
Profit & Loss	2,10,000	2,10,000
Statutory Reserve	4,20,000	4,20,000
Loan Funds	25,00,000	1,20,00,000

The company is planning to offer buy back of Equity Share at a price of Rs 30 per equity share. You are required to calculate maximum permissible number of equity shares that can be bought back in both the situations as per Companies Act, 2013 and also required to pass necessary Journal Entries in the situation where the buyback is possible. [10]

- 10.a) What are the different types of Merger? And brief on problems in merging process.
 b) Explain about important reasons for mergers and acquisitions. [5+5]

OR

(Contd...)

11. G Fertilizers Company is taking over T Petrochemical Company. The shareholders of TP Co would receive 0.8 shares of GF Co for each share held by them. The merger is not expected to yield ineconomies of scale & operating synergy. The relevant data for the two companies is as follow:

Particulars	GF Co	TP Co
Net Sales (Rs Crore)	335	118
Profit after tax (Rs Crore)	58	12
Number of share (Crore)	12	3
Earnings per share (Rs)	4.83	4
Market value per share (Rs)	30	20
Price-earnings ratio	6.21	5

For the combined company (after merger), you are required to calculate :

- EPS,
- P/E Ratio,
- Market value per share,
- Number of shares and
- Total market capitalization.

[10]

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