

GUJARAT TECHNOLOGICAL UNIVERSITY**MBA – SEMESTER -III– EXAMINATION – WINTER 2021****Subject Code: 3539221****Date: 23-02-2022****Subject Name: Strategic Financial Management****Time:10:30 AM TO 01:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 Explain the following: (2 marks each) **14**

- (a) Project
- (b) Dividend
- (c) Corporate Restructuring
- (d) Leverage
- (e) Zero Date
- (f) Mergers
- (g) Acquisition

Q.2 (a) ‘Strategic Financial Planning is important for the financial health of any organization’, explain. **07**

(b) Explain various theories of dividend policy with assumptions. **07**

OR

Q.2 (b) Define project planning. What are the risk involved in any project? **07**

Q.3 (a) Determine the interface of financial policy with corporate strategic management. **07**

(b) Capital structure of a Company consists of the following: **07**

10% Debentures Rs. 5,00,000

12% Pref. Shares Rs. 1,00,000

Equity shares worth Rs.4, 00,000 of Rs 100 each.

Operating profit is Rs. 1,60,000 and the company is in 50% tax bracket.

- a. Determine the company’s EPS.
- b. Financial leverage

OR

Q.3 (a) From the following data calculate WACC **07**

Rf=9%		
Rm=14%	Beta	Weights
Company A	1.2	0.4
Company B	0.9	0.3
Company C	1.5	0.3

Q.3 (b) Define the terms: ‘Risk’ and ‘Uncertainty’. What is Risk Management? Discuss the steps for application of Risk Management in Project Management. **07**

Q.4 (a) A company is considering one of the two projects ‘X’ and ‘Y’. Both projects have same life and investment of Rs. 80 lakhs each and both are estimated to have almost same yield. **07**

Project X		Project Y	
CFAT	Prob	CFAT	Prob
12	0.1	8	0.10
14	0.2	12	0.25
16	0.4	16	0.30
18	0.2	20	0.25
20	0.1	24	0.10

Find standard deviation and coefficient of variation of both the projects.

- (b) Discuss the rationale for issuing equity shares. What are the common objections to buy-back shares? **07**

OR

- Q.4 (a)** What is financial risk? How does it differ from business risk? How does leverage effect a company? **07**

- Q.4 (b)** Existing equity capital 10,000 shares of Rs. 10 each
Proposals to Raise Rs. 1,00,000 with following alternatives **07**

(a) Debt at 10%

(b) Equity capital @ Rs. 10 per share

(c) Preference shares of Rs. 10 each @ 12% dividend

EBIT Rs. 80,000

Tax Rate 50%

Advice which of the method of financing would be most suitable. Which is the most optimum proposal of financing?

- Q.5** The balance sheet of Raghav Electronics Ltd is as follows as on 31st Mar, 2010

Liabilities	Rs. In lacs	Assets	Rs. In lacs
Sh.cap	200	Fixed assets	500
Reserves	140	Inventories	300
Long-term debt	360	Receivables	240
Short-term debt	200	Cash and Bank	60
Payables	120		
Provisions	80		
Total	1100	Total	1100

Current year sales were Rs. 600 lakhs. It is expected to increase by 20% next year. Net profit margin will be 4% and dividend payout will be 50%.

You are required to determine for the year 2010-11:

a. Current ratio 1.33

b. Ratio of Fixed assets to long term loans should be 1.5

c. Long term debt to equity ratio should not exceed 1.05

d. Funds are to be raised in short-term bank borrowings and long-term bank borrowings.

- (a) Calculate External Funds Requirement. **07**
- (b) Calculate short term bank borrowing **07**

OR

- Q.5 (a)** Calculate the short term bank borrowings when current ratio is 1.33 **07**

- (b) Calculate the Equity capital required. **07**
