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**PRESIDENCY UNIVERSITY**

**BENGALURU**

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| **End - Term Examinations – JANUARY 2025** |
| **Date:** 03-01-2025 **Time:** 09:30 am – 12:30 pm |

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| **School:** SOC | **Program:** B.COM (CMA) | |
| **Course Code :** MAH3001 | **Course Name :** Strategic Financial Management-II | |
| **Semester**: V | **Max Marks**: 100 | **Weightage**: 50% |

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| **CO - Levels** | **CO1** | **CO2** | **CO3** | **CO4** | **CO5** |
| **Marks** | **4** | **26** | **26** | **26** | **18** |

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Do not write anything on the question paper other than roll number.*

**Part A**

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| **Answer ALL the Questions. (10 x 2 Marks= 20 Marks)** | **Bloom's Level** | **CO** |

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| **1** | A company has a margin of safety of $40,000. If the contribution margin ratio is 50%, what are the total sales and break-even sales? | **2 Marks** | **Apply** | **CO1** |
| **2** | At current production levels, a company’s operating leverage is 4. If sales increase by 10%, by how much will operating income increase? | **2 Marks** | **Understand** | **CO1** |
| **3** | In the maturity stage of the product life cycle, how should a company adjust its pricing and marketing strategy to maximize profitability? Justify your answer | **2 Marks** | **Understand** | **CO2** |
| **4** | If the price of a product increases from $10 to $12 and the quantity demanded decreases from 500 to 450 units, calculate the price elasticity of demand. | **2 Marks** | **Apply** | **CO2** |
| **5** | A manufacturing firm’s supply chain is disrupted by a natural disaster. Identify the risk category and recommend two risk mitigation strategies. | **2 Marks** | **Apply** | **CO3** |
| **6** | What type of risk involves the possibility of a company's investment losing value due to market fluctuations? | **2 Marks** | **Remember** | **CO3** |
| **7** | A company has two projects:   * Project A: NPV = $20,000 * Project B: NPV = $15,000 If both projects have the same investment, which project should the company choose, and why? | **2 Marks** | **Understand** | **CO4** |
| **8** | What does a positive NPV indicate about a project? | **2 Marks** | **Understand** | **CO4** |
| **9** | A company manager approves a payment to a foreign agent without due diligence. Under the U.S. Foreign Corrupt Practices Act (FCPA), what violation has occurred? | **2 Marks** | **Understand** | **CO5** |
| **10** | What is the role of a company’s code of ethics? | **2 Marks** | **Understand** | **CO5** |

**Part B**

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| **Answer ALL the Questions. Each question carries 7 marks. (5 x 7 Marks = 35 Marks)** | | | | **Bloom's Level** | **CO** |
| **11** | **a** | A company is considering a special order of 10,000 units at $12 per unit. Variable cost per unit is $10, and fixed costs will not change. Normal selling price is $20 per unit.  i)Calculate the incremental revenue and incremental cost of the special order.(4)  ii)Should the company accept the order? Justify your answer.(3) | **7 Marks** | **Understand** | **CO2** |
| **Or** | | | | |
| **b** | Explain the concepts of the Law of Demand and the Law of Supply in detail. Use examples to illustrate how these principles operate in real-world market scenarios. | **7 Marks** | **Understand** | **CO2** |

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| **12** | **a** | Explain the role of a board in guiding Enterprise Risk Management (ERM) and its importance in organizational decision-making. Provide examples to illustrate your Understand | **7 Marks** | **Understand** | **CO3** |
| **Or** | | | | |
| **b** | Explain the different types of risks organizations face, such as strategic, operational, financial, and compliance risks, and provide examples to demonstrate your Understand. | **7 Marks** | **Understand** | **CO3** |

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| **13** | **a** | A company is Understand a project with the following cash flows: Initial investment = $400,000; Cash inflows: Year 1 = $100,000, Year 2 = $120,000, Year 3 = $150,000. Discount rate = 10%.  i)Calculate the NPV of the project.(5)  ii)Based on your results, should the company accept or reject the project? Justify your answer. (2) | **7 Marks** | **Understand** | **CO4** |
| **Or** | | | | |
| **b** | A company is considering two projects:  Project A: Initial investment = $500,000, Present value of cash inflows = $650,000.  Project B: Initial investment = $400,000, Present value of cash inflows = $500,000.  i)Calculate the profitability index (PI) for both projects.(4)  ii)Which project should the company choose? Provide a reason for your recommendation.(3) | **7 Marks** | **Understand** | **CO4** |

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| **14** | **a** | A company is accused of violating the U.S. Foreign Corrupt Practices Act (FCPA) by paying bribes to foreign officials.  i) Explain the key provisions of the FCPA.(3)  ii)Recommend two measures the company can implement to prevent such violations in the future.(4) | **7 Marks** | **Understand** | **CO5** |
| **Or** | | | | |
| **b** | A company’s whistleblower policy is rarely used by employees due to fear of retaliation.  i)Explain two reasons why employees might hesitate to use the whistleblower policy.(3)  ii)Recommend two actions the company can take to encourage whistleblowing.(4) | **7 Marks** | **Understand** | **CO5** |

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| **15** | **a** | Describe any seven symptoms of Groupthink and explain how they can affect decision-making in a group setting. | **7 Marks** | **Understand** | **CO5** |
| **Or** | | | | |
| **b** | Explain the four standards of ethical conduct outlined by the IMA (Institute of Management Accountants) and provide examples to demonstrate their application in a professional setting. | **7 Marks** | **Understand** | **CO5** |

**Part C**

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| **Answer Any THREE Questions. Each question carries 15 marks. (3 x 15 Marks = 45 Marks)** | **Bloom's Level** | **CO** |

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| **16** | A company processes a product that can either be sold at the split-off point for $60 per unit or processed further at an additional cost of $30 per unit to be sold for $100 per unit. The company produces 5,000 units per year. i) Calculate the total revenue and total incremental costs of processing further.(6) ii)Determine whether the company should sell at the split-off point or process further. Provide calculations to support your answer.(5) iii)Explain two qualitative factors the company should consider before making the decision.(4) | **15 Marks** | **Understand** | **CO2** |
| **17** | i) Explain the benefits of Enterprise Risk Management (ERM).(8) ii)Briefly explain any 4 types of risk.(7) | **15 Marks** | **Understand** | **CO3** |
| **18** | A company is Understand two mutually exclusive projects:  Project A: Initial investment = $600,000, annual cash inflows = $180,000 for 5 years, discount rate = 10%.  Project B: Initial investment = $500,000, annual cash inflows = $160,000 for 5 years, discount rate = 10%.  i)Calculate the Net Present Value (NPV) for both projects using a discount rate of 10%.(6)  ii)Calculate the Internal Rate of Return (IRR) for Project A (use approximation).(5)  iii)Based on your results, recommend which project the company should choose and justify your answer.(4) | **15 Marks** | **Apply** | **CO4** |
| **19** | A multinational corporation was fined for violating the U.S. Foreign Corrupt Practices Act (FCPA) after paying bribes to secure contracts in a foreign country.  i)Explain the key provisions of the U.S. Foreign Corrupt Practices Act (FCPA).(7) ii)Discuss two consequences (legal and reputational) company might face due to these violations.(4) iii)Recommend three internal controls or measures the company can implement to prevent such incidents in the future.(4) | **15 Marks** | **Understand** | **CO5** |