Roll No.											

PRESIDENCY UNIVERSITY

BENGALURU

End - Term Examinations – MAY 2025

Date: 24-05-2025 **Time:** 09:30 am – 12:30 pm

School: SOM-UG	**Program:** BBA	
Course Code : BBA3077	**Course Name:** Strategic Financial Management	
Semester: VI	**Max Marks**: 100	**Weightage**:50%

CO - Levels	CO1	CO2	CO3	CO4	CO5
Marks	11	26	28	35	-

Instructions:

(i) Read all questions carefully and answer accordingly.

(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2 marks. **10Q x 2M=20M**

1.	Define Strategic Planning in Financial Management.	2 Marks	L1	CO 1
2.	Mention any two differences of Financial Management and Strategic Financial Management.	2 Marks	L1	CO 1
3.	Describe Liquidity Risk.	2 Marks	L1	CO 2
4.	What is the significance of Cost of Capital in investment decisions?	2 Marks	L1	CO 2
5.	Describe the term Initial and Terminal Cashflows.	2 Marks	L1	CO 3
6.	A firm invested Rs. 5,00,000 and sold the asset after 4 years for Rs. 7,50,000. What is the rate of return the Firm Achieved?	2 Marks	L1	CO 3
7.	An investor purchases equipment for Rs. 3,00,000. Installation costs are Rs. 20,000, and annual net return is Rs. 75,000. Calculate payback period.	2 Marks	L1	CO 3
8.	Define Net Present Value and give one example.	2 Marks	L1	CO 4
9.	A Project cost Rs.1,00,000 and yields an annual cash inflow of Rs.20,000 for 8 years. Calculate Pay-back period.	2 Marks	L1	CO 4
10.	State the relevance of Sensitivity Analysis in project appraisal.	2 Marks	L1	CO 4

Part B

Answer ALL the Questions. Each question carries 7 Marks. **Total Marks 35M**

11.	a.	Value Chain Analysis is considered to be important component for Organizational Financial strength. Justify this statement. Also provide a detailed explanation on various components of Value Chain Analysis.	07 Marks	L2	CO 1
Or					

12.	**a.**	How can Earning Per Share be used for valuing a company? Discuss.	**07 Marks**	**L2**	**CO 1**

13.	**a.**	Explain in detail about the following • Credit Risks/Counter Party Risks • Market Risks • Operational Risks	**07 Marks**	**L2**	**CO 2**
		Or			
14.	**a.**	Discuss the different measures of Financial Leverage. How are these measures important and useful for Business organizations?	**07 Marks**	**L2**	**CO 2**

15.	**a.**	Fincorp Ltd. is planning to purchase a new machine for its business. The cost of the machine is Rs. 5,00,000. To protect the machinery by any uncertain event will cost Rs.25,000. the transportation of the same cost Rs.15,000. the current assets and current liabilities during that financial year with respect to purchase of asset is Rs.50,000 & Rs.25,000 respectively. Calculate Initial investment	**07 Marks**	**L2**	**CO 3**
		Or			
16.	**a.**	Assume an Investor invests Rs.2500000 in a portfolio with the returns outlined below: From Jan.2018 to Jan.2019, your portfolio grew to Rs.26,00000. On Jan 1st 2020,the portfolio was Rs.2700000, on Jan1st 2021, the portfolio ended with Rs.2800000. What is the CAGR of this Investment?	**07 Marks**	**L2**	**CO 3**

17.	**a.**	Determine the Pay-back period for a project which requires a cash outlay of Rs.10,000 and generates cash inflows of Rs.2,000, Rs.4,000, Rs.3,000 and Rs.2,000 in the first, second, third and fourth year respectively.	**07 Marks**	**L2**	**CO 4**
		Or			
18.	**a.**	A project cost Rs. 2,00,000 and yields annually a profit of Rs.25,000 after depreciation at 20% but before tax of 30%. Calculate the pay back period.	**07 Marks**	**L2**	**CO 4**

19.	**a.**	The Alpha company ltd. is considering the purchase of a new investment. Two alternatives are A & B each costing Rs.60,000. the company has a target return on capital of 15%. Risk premium rates are 2% & 5% respectively. Which investment to be preferred using Risk Adjusted Rate of Return?	**07 Marks**	**L2**	**CO 4**

YEAR	A	B
1	20,000	10,000
2	30,000	20,000
3	10,000	35,000
4	35,000	40,000

Or					
20.	**a.**	There are two projects A & B. Each involves an investment of Rs.80,000. Risk-free cut off rate is 12%. Suggest which of the two projects to be preferred. the expected cash inflows and the certainty coefficients are as under:	**07 Marks**	**L2**	**CO 4**

YEAR	PROJECT A: Cash Inflow	Certainty coefficient	PROJECT B: Cash inflow	Certainty coefficient
1	50,000	0.8	40,000	0.9
2	40,000	0.7	60,000	0.8
3	20,000	0.9	40,000	0.7

Part C

Answer any Three Questions. Each question carries 15 marks **3Q x 15M=45M**

21.	**a.**	Calculate DOL and DFL.	**15 Marks**	**L3**	**CO 2**

sl n	Particulars	2023(Rs. In Lakhs)	2024(Rs in Lakhs)
1	Sales	500	610
2	Less- Variable Cost	40	70
3	Contribution	460	540
4	Less Fixed Cost	20	20
5	EBITDA	440	520
6	Interest	30	50
7	Tax	12	18
8	Depreciation	2	3

		9	Special Provisions	3	5			

22.	**a.**	A Company is considering the introduction of a new product. The firm estimates that it can sell annually 4000 units of this product at Rs.30 per unit. The cash variable expenses to manufacture and sell the product are estimated at Rs.20 per unit. It will also involve cash fixed cost of Rs. 4000 per annum. The plant to manufacture the product is available for Rs. 80,000. Further Rs.20,000 will have to be spent on installation of the plant. The salvage value of the plant after its life of 8 years is estimated at Rs.2,000. A working capital of Rs.20,000 is also required in the year of installing the plant. The firm uses the straight line method of depreciation of original cost of the asset ignoring the salvage value. Tax rate is 50%. Calculate Initial investment, Net annual cash flows and Terminal cash flows.	**15 Marks**	**L3**	**CO 3**
23.	**a.**	Mascot Ltd. is planning for introduction of a new product. The firm is expecting sales of 6000 units of product at Rs.30 per unit. The variable expenses and fixed expenses are estimated at Rs.20 per unit & Rs.5000 per annum respectively. The cost of the plant to manufacture the new product is available for Rs.8,00,000. the cost of assembling the components of the plant is Rs.20,000. the salvage value of the plant after 8 years is estimated to be Rs.10,000. the increase is operating capital would be Rs.40,000. The firm uses straight line method of depreciation without ignoring the salvage value. The tax rate is 50%. Calculate Initial investment, Net annual cash flows and Terminal cash flows.	**15 Marks**	**L3**	**CO 3**
24.	**a.**	The Investment made into Business is Rs 10,00,000. The Rate of Tax is 50% The Depreciation rate as per Straight Line Method is 10% The PBT’s earned by the company are as follows, Year 1 = Rs 1,00,000 Year 2 = Rs 2,50,000 Year 3 = Rs 3,00,000 Year 4 = Rs 2,50,000 Year 5 = Rs 1,00,000 Year 6 = Rs 3,40,000 Year 7 = Rs 4,00,000	**15 Marks**	**L3**	**CO 4**