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PRESIDENCY UNIVERSITY

BENGALURU

End - Term Examinations – MAY/ JUNE 2025

Date: 04-06-2025

Time: 01:00 pm – 04:00 pm

School: SOC	Program: B.COM CMA	
Course Code: MAH2007	Course Name: Strategic Financial Management I	
Semester: IV	Max Marks: 100	Weightage:50%

CO - Levels	C01	C02	C03	C04	C05
Marks	20	20	20	20	20

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.	Identify the base used in vertical analysis of balance sheet.	2 Marks	L1	C01
2.	Identify the type of common size statements used for comparing a company's performance against industry averages.	2 Marks	L2	C01
3.	Describe the concept of operating leverage.	2 Marks	L2	C02
4.	Provide the formula for inventory turnover period.	2 Marks	L1	C02
5.	State the account against which exchange rate differences are adjusted when performing foreign currency translations.	2 Marks	L1	C03
6.	Explain the role of cost of capital in strategic decision-making.	2 Marks	L2	C03
7.	Describe the concept of derivatives in financial management.	2 Marks	L1	C04
8.	Differentiate between mergers and acquisitions.	2 Marks	L1	C04
9.	List the formula for cash conversion cycle.	2 Marks	L2	C05
10.	Identify the deductions charged by the factor.	2 Marks	L2	C05

Part B

Answer ALL the Questions. Each question carries 7 Marks.

Total Marks 35M

11.	a.	Discuss various factors to be considered when interpreting common size income statements.	07 Marks	L3	CO 1								
Or													
12.	a.	K Company's reported sales are:	07 Marks	L2	CO 1								
		<table><tr><td></td><td>Year 1</td><td>Year 2</td><td>Year 2</td></tr><tr><td>Sales</td><td>\$300,000</td><td>\$320,000</td><td>\$350,000</td></tr></table>					Year 1	Year 2	Year 2	Sales	\$300,000	\$320,000	\$350,000
						Year 1	Year 2	Year 2					
Sales	\$300,000	\$320,000	\$350,000										
The economy is experiencing 10% inflation. Perform sales growth analysis based on inflation adjusted sales.													
13.	a.	Describe and provide formulae for the following ratios: 1. Financial leverage 2. Operating leverage 3. Degree of operating leverage	07 Marks	L3	CO 2								
Or													
14.	a.	Discuss the impact of the following events on payable turnover period. 1. Accepting settlement discounts from suppliers 2. Offering higher dividend payouts 3. Obsolete goods	07 Marks	L3	CO 2								
15.	a.	Explain the concept of earnings quality. Discuss any 2 factors considered under earnings quality analysis.	07 Marks	L3	CO 3								
Or													
16.	a.	Assume a company has the following capital structure:	07 Marks	L3	CO 3								
		<table><tr><td></td><td>\$</td></tr><tr><td>8% Preferred stock</td><td>400</td></tr><tr><td>Common stock</td><td>100</td></tr></table>					\$	8% Preferred stock	400	Common stock	100		
						\$							
8% Preferred stock	400												
Common stock	100												
The company reports net income of \$932 for the year and declares no dividends. Shares outstanding: 01-Jan-25 500 01-Jul-25 100 01-Oct-25 300 Calculate the basic EPS.													
17.	a.	A company purchases raw material at a cost of \$16 per unit. The annual demand for the raw material is 25,000 units. The holding cost per unit is \$6.40 and the cost of placing an order is \$32. Calculate:	07 Marks	L3	CO 4								

		1) Economic order quantity. 2) Total inventory costs			
Or					
18.	a.	Discuss the methods possible to quickly convert accounts receivables to cash.	07 Marks	L3	CO 4
19.	a.	Alpha Company is considering a financial investment decision. The treasury bills offer 5% interest whereas the market portfolio offers 12% return. The beta is estimated at 1.5. Required: 1) Explain the purpose of CAPM. 2) Calculate the required rate of return for Alpha.	07 Marks	L3	CO 5
Or					
20.	a.	Differentiate between systematic and unsystematic risk. Explain the relevance of diversification in portfolio management.	07 Marks	L3	CO 5

Part C

Answer any Three Questions. Each question carries 15 marks

3Q x 15M=45M

21.	a.	Describe the following types of risk: a) Credit risk b) Foreign exchange risk c) Interest rate risk d) Market risk e) Industry risk	15 Marks	L3	CO 1																																				
22.	a.	Differentiate the accounting treatment under U.S. GAAP and IFRS. Provide suitable examples in your answer.	15 Marks	L3	CO 2																																				
23.	a.	<div>A firm has gathered financial statement data from three companies applying for credit as new customers. The company extends credit to customers on the credit terms 2/10, net 30. Prior to accepting the customers, a financial analyst with the firm performs a liquidity analysis. Summary data is shown below:</div> <table><thead><tr><th></th><th>F</th><th>G</th><th>H</th></tr></thead><tbody><tr><td>Cash</td><td>20,000</td><td>12,850</td><td>130,000</td></tr><tr><td>Accounts receivable</td><td>40,000</td><td>74,500</td><td>100,000</td></tr><tr><td>Inventory</td><td>170,000</td><td>42,240</td><td>354,300</td></tr><tr><td>Current assets</td><td>230,000</td><td>129,590</td><td>584,300</td></tr><tr><td>Total assets</td><td>567,888</td><td>260,400</td><td>780,560</td></tr><tr><td>Current liabilities</td><td>175,000</td><td>63,800</td><td>142,100</td></tr><tr><td>Total liabilities</td><td>487,120</td><td>97,680</td><td>364,760</td></tr><tr><td>Total equity</td><td>80,768</td><td>162,720</td><td>415,800</td></tr></tbody></table>		F	G	H	Cash	20,000	12,850	130,000	Accounts receivable	40,000	74,500	100,000	Inventory	170,000	42,240	354,300	Current assets	230,000	129,590	584,300	Total assets	567,888	260,400	780,560	Current liabilities	175,000	63,800	142,100	Total liabilities	487,120	97,680	364,760	Total equity	80,768	162,720	415,800	15 Marks	L3	CO 4
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		Perform liquidity analysis on the companies. Decide which of the three potential customers is <i>most likely</i> to be accepted.			
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24.	a.	A highly geared business will be reluctant to debt financing. Evaluate the above statement. Your answer must comprehensively cover debt and equity financing.	15 Marks	L4	CO 5
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