



**K. K. Wagh Institute of Engineering Education & Research, Nashik**  
(An Autonomous Institute From A.Y. 2022-23)

InSem Examination-I Winter2025	
Exam Seat No.:	
Academic Year:2025-2026	Semester:III
Class:PG-II	Program:MBA
Branch Code:10	Pattern:2024
Name of Course: Strategic Financial Management and Reporting	Course Code:2410611B
Max. Marks:30	Duration:1.15 Hrs.

**Instructions:** Candidates should read carefully the instructions printed on the Question Paper and on the cover page of the Answer Book, which is provided for their use.

1. This question paper contains 2 page(s).
2. Answer to each new question is to be started on a new page.
3. Assume suitable data wherever required but justify it.
4. Draw the neat, labelled diagrams, wherever necessary.
5. The last columns indicate the Course Outcome and level of Blooms Taxonomy of the Question/sub-question.
6. Solve a) or b) from Q2 and Q4

**Marks CO**

**Question No. 1**

- 1 a) Apply the concept of goal congruence to design a simple performance evaluation system that ensures divisional managers' goals match the company's overall financial objectives (3) CO1
- 1 b) Illustrate the role of Financial Planning & Forecasting in Decision-Making. (4) CO1

**Question No. 2**

- 2 a) XYZ Ltd., a manufacturing firm, has made expensive new product investments without consulting shareholders. These projects increased the company's debt. Meanwhile, executives get high bonuses based on revenue growth, even though profits and stock prices are falling. The board has not actively challenged these decisions. Using the principles of Agency Theory, analyze the financial and governance issues evident in XYZ Ltd.'s situation. (8) CO1

1. Identify and explain the key agency problems reflected in this case.
2. How these problems can impact the firm's long-term financial health & shareholder value.
3. Suggest at least three corporate governance or financial control mechanisms that can be used to align management actions with shareholder interests

**OR**

- 2 b) How GAAP Ensures Clarity, Consistency, and Comparability in Financial Reporting. (8) CO1

**Question No. 3**

- 3 a) An investment project has Budget = 250,000. The investment details, NPV and PI are as follows of the Indivisible projects. (3) CO2

Indivisible Project	Investment (₹)	NPV (₹)	PI
A	100,000	30,000	1.30

B	80,000	25,000	1.31
C	120,000	40,000	1.33
D	90,000	28,000	1.31

Examine the project and determine the **optimal investment combination** under capital rationing based on PI and its Total NPV

- 3 b) A company is considering a project with the following expected inflows. Initial investment = ₹120,000; Risk-free rate = 10%. Compute NPV using certainty equivalents. (4) CO2

Year	Expected Cash Inflow (₹)	Certainty Equivalent Coefficient
1	40,000	0.9
2	50,000	0.85
3	60,000	0.8

#### Question No. 4

- 4 a) The management is evaluating two projects (A and B). The probability and returns are as follows: (8) CO2

Project	Probability	Return (%)
A	0.6	15
A	0.4	8
B	0.5	18
B	0.5	5

Compute the expected return and risk (standard deviation) for both projects and recommend which should be preferred

**OR**

- 4 b) A project costs ₹100,000. Next year's cash inflows and probabilities are: (8) CO2

Outcome	Cash inflow (₹)	Probability
Pessimistic	80,000	0.25
Most likely	110,000	0.50
Optimistic	140,000	0.25

Discount rate = 10%. Compute:

- Expected monetary value (EMV) of inflow,
- Expected NPV, and Standard deviation of inflows.

..... End of question paper.....