



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

WINTER-2025	
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:60	Duration:2.30 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 Three 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 indicates the Course Outcome and level of Blooms Taxonomy of the Question/sub-question.
6. Q. No. 1 and 2 compulsory, Answer (a) OR (b) AND (c) OR (d) from Q. No.3,4,5.

Marks CO

Question No. 1

- 1a) Apply the principles of Strategic Financial Management to integrate finance with corporate strategy. (6) CO1

Question No. 2

- 2a) A project has the following possible cash inflows in Year 1: (6) CO2

Cash Flow (₹)	Probability
40,000	0.3
30,000	0.5
20,000	0.2

- Certainty Equivalent coefficient = 0.8
- Risk-free rate = 6%
- Initial investment = ₹25,000
- PV factor @6% for 1 year = 0.943

Analyse the Project acceptance decision with NPV as per Certainty Equivalent Approach.

Question No. 3

- 3a) Assess the relevance of project abandonment decisions in strategic capital budgeting (8) CO3

OR

- 3b) A project requires an initial investment of ₹5,00,000. It is expected to generate cash inflows of ₹1,80,000 per year for 5 years. If the project is abandoned at the end of Year 2, the firm can realize a salvage value of ₹3,00,000. Cost of capital = 10%. **Evaluate the project abandonment decisions** (8) CO3
- 3c) An investment of ₹1,38,500 yields the following cash inflow: (8) CO3

Year	1	2	3	4
Cash Inflow (₹)	40,000	50,000	70,000	40,000

Modified Internal Rate of Return (MIRR) is a technique is used when cash flows from the project are re-invested at a rate different than IRR. **Calculate modified internal rate of return, if the weighted average cost of capital (WACC) of the company is 12%.**

{Note: $[1.71385]^{1/4}=1.1445$ }

OR

- 3d) The US Auto Company, maker of the AerTron hovercar, bought a new die press for the lift propeller housing of their new model. The die press, installed, costs Rs 24 and a set of dies costs an additional Rs12 and has a life of 4 years. The net revenue for this machine is Rs 8 annually. USAC plans to replace the die set during year 4 for the same Rs 12 that the original cost, and then run the system for another 4 years. USAC pays 9.5% for borrowed money and expects to earn 16.5% on invested money. **What is the MIRR for this system?** (8) CO3

Question No. 4

- 4a) Evaluate tools used for developing an effective capital structure in modern corporations (8) CO3

OR

- 4b) Evaluate the strategic rationale and financial impact of share buyback decisions (8) CO3

- 4c) A company currently has: (8) CO3

- EBIT = ₹6,00,000
- Equity shares = 1,00,000
- Market price per share = ₹40
- Tax rate = 30%

The company needs ₹10,00,000 for expansion. It can raise funds by:

Option A: Equity issue at market price

Option B: 10% Debentures

Capitalisation rate = 12%

Apply Signalling Theory to evaluate Debt vs Equity Issue and its effect on EPS

OR

- 4d) ABC Ltd. is considering changing its capital structure to reduce its overall cost of capital. The finance manager wants to analyse whether increasing debt will increase the value of the firm. (8) CO4

Given:

EBIT = ₹4,00,000

Debt = ₹10,00,000 at 8% interest

Equity capitalization rate (K_e) = 14%

Overall capitalization rate (K_o) = 12%

Tax = Nil

Required:

1. Value of firm as per NI approach
2. Value of firm as per NOI approach

Comment on capital structure relevance

Question No. 5

- 5a) Assess the role of sustainability audit and ESG ratings in corporate value creation (8) CO4

OR

- 5b) Evaluate the strategic motives behind mergers and acquisitions for corporate growth. (8) CO4

- 5c) Omega Manufacturing Ltd. is evaluating the performance of its two strategic divisions—**Division A** and **Division B**. The management believes that traditional profit measures do not capture true value creation and has decided to evaluate divisions using **Economic Value Added (EVA)**. (8) CO5

The following information is available:

Particulars	Division A	Division B
EBIT (₹ crore)	600	480
Tax Rate	30%	30%
Capital Employed (₹ crore)	3,500	2,800
WACC	11%	13%

Required

1. Calculate EVA for each division
2. Identify which division is creating higher economic value
3. Comment on managerial implications

OR

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