

**RAN-2108000405061002****T.Y.BBA (Sem.-V) Examination November - 2025****STRATEGIC FINANCIAL MANAGEMENT****સૂચના : / Instructions**

- (1) ઉપરોક્ત દર્શાવેલ વિગતો ઉત્તરવહી પર અવશ્ય લખવી.  
Fill up strictly the above details on your answer book

Seat No.:

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Student's Signature

**SET - 2****Q.1. Answer in brief. (Any 7) 14**

1. What is Cost Benefit Analysis.
2. What is project management?
3. What is sensitivity analysis?
4. State two significance of strategic financial management
5. What is financial forecasting?
6. Explain briefly Risk Adjusted Discounted Rate of Return.
7. What is strategic planning?
8. Discuss financial risk and business risk.
9. What is equity value and enterprise value?
10. Define industrial sickness as per Company's Act 2013

**Q.2. Explain the various techniques of financial forecasting. 14****OR****Q.2. Discuss in detail various Techniques of Financial Restructuring. 14**

**Q.3. A. Krishna firm has an investment proposal, requiring outlay of Rs. 80,000. The investment has expected life of 2 years and no salvage value. The probabilities assigned to cash inflows after tax (CFAT) for 2 years are as follows: 8**

| The net cash inflows in Year 1 |             |
|--------------------------------|-------------|
| Cash Inflows                   | Probability |
| 50,000                         | 0.40        |
| 60,000                         | 0.60        |

| The probabilities assigned to CFAT for the Year 2 |             |                            |             |
|---------------------------------------------------|-------------|----------------------------|-------------|
| If Cash inflows are 50,000                        |             | If Cash inflows are 60,000 |             |
| Cash Inflows                                      | Probability | Cash Inflows               | Probability |
| 24,000                                            | 0.20        | 40,000                     | 0.40        |
| 32,000                                            | 0.30        | 50,000                     | 0.50        |
| 44,000                                            | 0.50        | 60,000                     | 0.10        |

The desired rate of return for NPV purposes is 8 per cent.

1. Construct decision tree for the proposed investment project and calculate expected NPV.
2. Will the project be accepted?
3. What net present value will the project yield if the worst outcome is realized? What is the probability of occurrence of this NPV?

**Q.3. B.** Discuss reasons for Valuation of Enterprise

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**OR**

**Q.3. A.** The Globe Manufacturing Company Ltd. is considering an investment in one of the two mutually exclusive proposals- Projects X and Y, which require cash outlays of Rs 3,40,000 and Rs 3,30,000 respectively. The certainty-equivalent(C.E.) approach is used in incorporating risk in capital budgeting decisions. The current yield on government bond is 10% and this be used as the riskless rate. The expected net cash flows and their certainty-equivalents are as follows:

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| Project X |           |     | Project Y |     |
|-----------|-----------|-----|-----------|-----|
| Year end  | Cash flow | CE  | Cash flow | CE  |
| 1         | 1,80,000  | 0.8 | 1,80,000  | 0.9 |
| 2         | 2,00,000  | 0.7 | 1,80,000  | 0.8 |
| 3         | 2,00,000  | 0.5 | 2,00,000  | 0.7 |

Present value factors of Re. 1 discounted at 10% at the end of year 1, 2 and 3 are 0.9091, 0.8264 and 0.7513 respectively.

**Required:**

- i. Which project should be accepted?
- ii. If risk adjusted discount rate method is used, which project would be analysed with a higher rate?

**Q.3. B.** NANO Manufacturing Company Ltd. is considering two mutually exclusive projects, Project A and Project B, which require initial investments of ₹4,00,000 and ₹3,80,000, respectively. The company has decided to use the Risk-Adjusted Discount Rate (RADR) method to evaluate these projects. The expected net cash flows for each project over three years are as follows:

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| Year-End | Project A Cash Flow (₹) | Project B Cash Flow (₹) |
|----------|-------------------------|-------------------------|
| 1        | 1,80,000                | 1,70,000                |
| 2        | 2,10,000                | 2,00,000                |
| 3        | 2,20,000                | 2,10,000                |

The company has decided to use a discount rate of 12% for Project A and 10% for Project B Which project should be accepted?

**Q.4.** Skylark Airways is planning to acquire a light commercial aircraft for flying class clients at an investment of Rs 50,00,000. The expected cash flow after tax for the next three years is as follows:

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| Year 1    |             | Year 2    |             | Year 3    |             |
|-----------|-------------|-----------|-------------|-----------|-------------|
| CFAT      | Probability | CFAT      | Probability | CFAT      | Probability |
| 14,00,000 | 0.1         | 15,00,000 | 0.1         | 18,00,000 | 0.2         |
| 18,00,000 | 0.2         | 20,00,000 | 0.3         | 25,00,000 | 0.5         |
| 25,00,000 | 0.4         | 32,00,000 | 0.4         | 35,00,000 | 0.2         |
| 40,00,000 | 0.3         | 45,00,000 | 0.2         | 48,00,000 | 0.1         |

The Company wishes to take into consideration all possible risk factors relating to an airline operations. The company wants to know:

- i. The expected NPV of this venture assuming independent probability distribution with 8 per cent risk free rate of interest.
- ii. The possible deviation in the expected value.

**OR**

**Q.4.** Discuss the stages in setting up of a project **14**

**Q.5.** **Write short note (any 2)** **14**

1. Discounted cash flow method
  2. Risk analysis in project selection
  3. Classification and kinds of Project.
  4. Causes of industrial sickness
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