Enrollment No......................................

Faculty of Management Studies
End Sem Examination May-2024
MS3EF12 Strategic Corporate Finance

Programme: BBA Branch/Specialisation: Management

Duration: 3 Hrs. **Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d. Assume suitable data if necessary. Notations and symbols have their usual meaning.

Q.1 i. What does Economic Value Addition (EVA) measure? **1**

(a) Short-term profitability
(b) Long-term sustainability
(c) Profitability after considering the cost of capital
(d) Return on investment

ii. Which of the following is NOT a type of financial strategy for maximizing shareholders' wealth? **1**

(a) Capital structure optimization
(b) Investment in growth opportunities
(c) Decreasing shareholder dividends
(d) Efficient working capital management

iii. Which technique focuses on examining all activities involved in delivering value to customers? **1**

(a) Quality costing (b) Life cycle costing
(c) Zero-based budgeting (d) Value chain analysis

iv. Which of the following is an example of an irrelevant cost in strategic decision-making? **1**

(a) Variable production costs (b) Sunk costs
(c) Direct materials cost (d) Relevant opportunity costs

v. Which financing method involves using significant debt to purchase a company? **1**

(a) Equity financing (b) Debt financing
(c) Mezzanine financing (d) LBO financing

vi. What is a critical step in negotiating the main terms of a buy-out transaction? **1**
(a) Setting unrealistic purchase price
(b) Ignoring due diligence
(c) Considering earn-outs
(d) Avoiding discussions on payment structure

vii. Which of the following is a symptom of impending bankruptcy? **1**
(a) Increasing cash flow (b) Rising stock prices
(c) Loss of key customers (d) Credit rating upgrades

viii. What is a common factor leading to bankruptcy? **1**
(a) Increasing profitability
(b) Economic upturns
(c) High debt levels
(d) Effective management decisions

ix. Risk arising from the unique uncertainties of individual securities is known as- **1**
(a) Systematic risk (b) Unsystematic risk
(c) Market risk (d) None of these

x. Which of the following do not fall under the category of systematic risk? **1**
(a) Market risk (b) Interest rate risk
(c) Purchasing power risk (d) Financial risk

Q.2 i. Discuss two types of financial strategies that contribute to enhancing overall corporate value. **2**
ii. How does Economic Value Addition (EVA) differ from traditional accounting measures of profitability? **3**
iii. Explain the relationship between strategic corporate finance and shareholders' wealth maximization. **5**
OR iv. Why is it essential for firms to align their financial decisions with their long-term strategic objectives? **5**

Q.3 i. Compare and contrast target costing and activity-based costing, highlighting their respective applications and benefits. **4**
ii. Discuss the importance of considering life cycle costs in strategic decision-making, providing examples to illustrate your points. **6**

OR iii. Explain how quality costing contributes to enhancing competitive advantage in the marketplace, and discuss potential challenges associated with implementing quality costing systems. **6**

Q.4 Attempt any two:
i. Compare Management Buy-outs (MBOs) and Management Buy-ins (MBIs). **5**
ii. Describe the role of financial forecasts in the context of developing a business plan for a Management Buy-out (MBO). **5**
iii. Explain LBO in detail. **5**

Q.5 Attempt any two:
i. Explain the concept of bankruptcy and factors leading to bankruptcy. **5**
ii. Explain the reorganization of distressed firms. **5**
iii. Write a short note on company disposals and exit strategy. **5**

Q.6 Attempt any two:
i. What is the concept of strategic risk management? Explain its process. **5**
ii. What is an operational hedge? Explain with suitable example. **5**
iii. Write a short note on **5**
(a) Value-based management.
(b) Substitutability of capital structure

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Marking Scheme

MS3EF12 (T) Strategic Corporate Finance

Q.1	i)	C	**1**
	ii)	C	**1**
	iii)	D	**1**
	iv)	B	**1**
	v)	D	**1**
	vi)	D	**1**
	vii)	C	**1**
	viii)	C	**1**
	ix)	B	**1**
	x)	D	**1**

Q.2	i.	Discuss two types of financial strategies that contribute to enhancing overall corporate value. **1 mark each type**	**2**
	ii.	How does Economic Value Addition (EVA) differ from traditional accounting measures of profitability? **3 Difference -1 mark each**	**3**
	iii.	Explain the relationship between strategic corporate finance and shareholders' wealth maximization. **5 Points 1 mark each**	**5**
OR	iv.	Why is it essential for firms to align their financial decisions with their long-term strategic objectives? **5 Points 1 mark each**	**5**

Q.3	i.	Compare and contrast target costing and activity-based costing, highlighting their respective applications and benefits. **4 Difference -1 mark each**	**4**
	ii.	Discuss the importance of considering life cycle costs in strategic decision-making, providing examples to illustrate your points. **5 Stage 1 mark each+ example 1 mark**	**6**
OR	iii.	Explain how quality costing contributes to enhancing competitive advantage in the marketplace, and discuss potential challenges associated with implementing quality costing systems. **3 points contribution + 3 points challenges**	**6**

Q.4	i.	Compare Management Buy-outs (MBOs) and Management Buy-ins (MBIs). **5 Points 1 mark each**	**5**
	ii.	Describe the role of financial forecasts in the context of developing a business plan for a Management Buy-out (MBO). **5 Role 1 mark each**	**5**
OR	iii.	Explain LBO in detail. **As per explanation**	**5**

Q.5	i.	Concept of Bankruptcy and explain the Concept leading to bankruptcy. **Concept 2 marks Factors 3 marks**	**5**
	ii.	Explain the reorganization of distressed firms. **Concept + Benefits**	**5**
OR	iii.	Write a short note on company disposals and exit strategy **5 Points 1 mark each**	**5**

Q.6		Attempt any two:	
	i.	What is the concept of strategic risk management?Explain its process. **Concept 1 mark + Process 4 Marks**	**5**
	ii.	What is an operational hedge?Explain with suitable example. **Concept 4 mark + Example 1 Mark**	**5**
	iii.	Write a short note on a) Value-based management. **As per explanation** b) Substitutability of capital structure **2 marks methods+ 3 Marks Benefits**	**5**

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