

Code No: MB194B4/19

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY- GURAJADA VIZIANAGARAM

MBA II Semester Regular/Supplementary Examinations, May 2025

Strategic Financial Management

Time: 3 Hours

Max. Marks: 75

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*Answer any FIVE Questions One Question from Each Unit*  
*All Questions Carry Equal Marks*

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**UNIT-I**

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|----|---|--|----|
| 1. | a | Define Strategic Financial Management and its importance for businesses. | 6M |
|    | b | How does Economic Value Added (EVA) measure company success?             | 6M |

**OR**

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|----|---|--|----|
| 2. | a | What are the challenges in implementing a shareholder value framework? | 6M |
|    | b | Assess the limitations of shareholder value measures.                  | 6M |

**UNIT-II**

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|----|---|---|----|
| 3. | a | Discuss the concept of leverage effect with examples. | 6M |
|    | b | Explain the trade-off theory of capital structure.    | 6M |

**OR**

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|----|---|---|----|
| 4. | a | What is the Modigliani-Miller theorem, and how is it relevant today?      | 6M |
|    | b | Discuss the relevance of dividend signaling theory in financial strategy. | 6M |

**UNIT-III**

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|----|---|---|----|
| 5. | a | What is risk-adjusted Net Present Value (NPV)?                      | 6M |
|    | b | Explain the use of decision tree analysis for investment decisions. | 6M |

**OR**

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|----|---|---|----|
| 6. | a | Explain the concept of cost of capital in investment decisions. | 6M |
|    | b | What are strategic factors influencing investment decisions?    | 6M |

**UNIT-IV**

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|----|---|--|----|
| 7. | a | Differentiate between horizontal and conglomerate mergers. | 6M |
|    | b | How does a merger affect earnings per share (EPS)?         | 6M |

**OR**

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|----|---|---|----|
| 8. | a | What are the strategic motives behind mergers?      | 6M |
|    | b | Discuss the regulatory framework governing mergers. | 6M |

**UNIT-V**

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|----|---|--|----|
| 9. | a | Define takeover strategy and explain its importance. | 6M |
|    | b | Analyze the takeover regulations by SEBI.            | 6M |

**OR**

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|-----|---|---|----|
| 10. | a | Compare voluntary and involuntary takeovers.                | 6M |
|     | b | Analyze the strategic decision-making process in takeovers. | 6M |

## CASE STUDY

- 11 ABC Machine Tools Co. Ltd. is considering the acquisition of a large equipment to 15M  
set up its factory in a backward region for Rs.12,00,000/-. The equipment is  
expected to have an economic useful life of 8 years. The equipment can be Financial  
either with an 8 years term loan at 14% (before tax) interest, repayable in equal  
instalments of Rs.2,58,676/- per year or by an equivalent amount of least rent per  
year. In both cases, payments are due at the end of the year. The equipment is  
subject no the straight the method for depreciation for the purposes. Assuming to  
Salvage value after the 8th year of life. The company is in 50% tax bracket.

Which of the financing alternatives should it select?

- (a) The present value annuity of one Rupee @ 7% for 8 years is 5.971.  
(b) The P.V. of One Rupee @ 7% for 8 years is,

Year	1	2	3	4	5	6	7	8
P.V.:	0.935	0.873	0.816	0.763	0.713	0.666	0.623	0.582