



PG – 541

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IV Semester M.B.A. (Day & Eve.) Examination, November/December 2023  
(CBCS) (2022 – 23 and Onwards)  
MANAGEMENT

4.2.1 : Financial Techniques for Strategic Decision Making (Finance)

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any five** of the following questions, **each** question carries **5** marks. (5×5=25)

1. What is risk in the context of capital budgeting ? And explain the various sources of risk.
2. What is target costing ? State the steps to be performed while target costing applied.
3. What is Responsibility Accounting ? Explain different types of responsibility Centres of an organisation.
4. What is 'Triple Bottom Line' ? Explain different Dimensions of TBL.
5. XYZ Ltd. is considering a project 'A' with an initial outlay of Rs. 14,00,000 and the possible three cash inflow attached with the project is as follows :

Particulars	Year 1	Year 2	Year 3
Worst case	4,50,000	4,00,000	7,00,000
Most likely	5,50,000	4,50,000	8,00,000
Best case	6,50,000	5,00,000	9,00,000

Assuming the cost of capital as 9%, determine the NPV in each Scenario. If XYZ Ltd. is certain about the most likely in first two years but uncertain about the third year's cash flow, analyze what will be the NPV expecting worst scenario in the third year.

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6. XYZ Ltd. provides you with the following financial information as on 31-3-2022.

	Rs. in lakhs
Share Capital	981.46
Reserves and surplus	1313.62
Long term debt	144.44
Trade payables	20.38

**Additional information :**

- i) PBIT is Rs. 2,202.84 lakhs.
  - ii) Interest paid Rs. 13.48 lakhs.
  - iii) Tax rate is 30%.
  - iv) Cost of equity = 12.42% and cost of debt = 6.53%.
- Calculate economic value added to XYZ Ltd.

7. R.K. Ltd. is considering investment in one of the two mutually exclusive proposals. Project A, which involves an outlay Rs. 1,70,000 and Project 'B' has an outlay of Rs. 1,50,000. The Certainty Equivalent (CE) Approach is used in evaluating investment. The current yield on treasury bills is 5% and the company uses this as riskless return. Expected values of net cash flows with their CEs are :

Year	Project A		Project B	
	Cash flow Rs.	CE	Cash flow Rs.	CE
1	90,000	0.8	90,000	0.9
2	1,00,000	0.7	90,000	0.8
3	1,10,000	0.5	1,00,000	0.6

- a) Which Project should be acceptable to the company ?
- b) Which Project is riskiest ? How do you know ?

SECTION – B

Answer **any three** questions, **each** question carries **10** marks.

**(3×10=30)**

8. What is life cycle costing ? Discuss the characteristics and strategies of each stage of product life cycle.



- 9. What is pricing policy ? Explain different methods of pricing.
- 10. Calculate expected net present value, standard deviation, co-efficient variation for the following projects.

Particulars	Project X	Project Y
Initial cash outlays	Rs. 40,000	Rs. 40,000
Annual cash inflow estimates		
Worst (P = 0.25)	Rs. 6,000	0
Most likely (P = 0.5)	Rs. 8,000	Rs. 8,000
Best (P = 0.25)	Rs. 10,000	Rs. 16,000
Required rate of return	0.10	0.10
Economic life (years)	15	15

- 11. MNL Ltd. is considering investment in one of three mutually exclusive Projects : AB, BC and CD. The company's cost of capital is 15% and risk free interest rate is 10%. The income tax rate of the company is 34%. MNL has gathered the following basic cash flows and risk index data for each Project.

Projects	AB	BC	CD
Initial Investment	Rs. 12,00,000	10,00,000	15,00,000
Cash flows (Rs.)			
Year – 1	5,00,000	5,00,000	4,00,000
Year – 2	5,00,000	4,00,000	5,00,000
Year – 3	5,00,000	5,00,000	6,00,000
Year – 4	5,00,000	3,00,000	10,00,000
Risk Index	1.80	1.00	0.6

Using Risk-adjusted discount rate method, determine risk-adjusted N.P.V. for each project. Which project should be accepted by the company ?



## SECTION – C

**Compulsory question.****(1×15=15)**

12. X Ltd. is considering its new project with the following details.

Sl. No.	Particulars	Figures
1	Initial capital cost	Rs. 400 Cr.
2	Annual unit sales	5 Cr.
3	Selling price per unit	Rs. 100
4	Variable cost per unit	Rs. 50
5	Fixed cost per year	Rs. 50 Cr.
6	Discount rate	6%

**Required :**

- 1) Calculate N.P.V. of the project.
  - 2) Compute the impact of project's N.P.V. considering a 2.5 percent adverse variance in each variable, which variable is having maximum effect ?
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