

**POST GRADUATE DIPLOMA IN GLOBAL  
BUSINESS LEADERSHIP  
(PGDGBL)**

**Term-End Examination  
June, 2011**

**MGBE-008 : STRATEGIC FINANCE :  
FORMULATIONS, APPRAISAL AND CONTROL**

*Time : 3 hours*

*Maximum Marks : 100*

*Note : Attempt any five questions. All questions carry equal marks.*

1. Define the term 'strategic finance' and describe its basic features so as to distinguish it from 'traditional financial management'. Describe some of the important applications of strategic finance with the help of suitable examples. **20**
  
2. A company is considering the purchase of a machine out of the three shortlisted ones - A, B and C. Each requires an investment of Rs.49,000 and each has an economic life of 3 years and total cash inflow over that period of Rs. 60,000. The pattern of cash inflows for each machine is as under : **20**

Year	Present Value of Rs.1 at 10% rate of discount	Annual Cash Inflow (in Rs.)		
		A	B	C
1	0.909	10,000	20,000	30,000
2	0.826	20,000	20,000	20,000
3	0.751	30,000	20,000	10,000
		60,000	60,000	60,000

You are required to calculate :

- (a) The NPV of each project assuming rate of return of 10% p.a.
- (b) Which machine should be purchased as per pay back period method ?

3. What do you mean by 'capital structure' ? How would you design the capital structure of a proposed company ? What factors are taken into account in this context ? 20
4. What are the determinants of dividend policy of a company ? Briefly state the various theories and their assumptions with respect to dividends. 20
5. What is meant by 'cost of capital' ? Explain the different approaches to the computation of the cost of equity with the help of suitable examples. 20

6. Explain the concept of 'leverage' with the help of an example. What are the various types of leverages and what is their relevance in financial management ? 20
7. Distinguish among 'amalgamation' 'merger' and 'acquisition.' What are the possible reasons for a merger ? Explain the factors that influence the valuation of shares for the purpose of merger of companies. 20
8. Write short notes on *any two* of the following : 20
- (a) Economic Value Addition Concept and its Utility.
  - (b) Cost of Retained Earnings.
  - (c) Discounted Pay back Method of Capital Budgeting.
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