Roll No. Total No. of Pages : 03

Total No. of Questions : 17

M.Com. (2021 Batch) (Sem.–3)

STRATEGIC FINANCIAL MANAGEMENT

Subject Code : MCOP-302-18

M.Code : 76829

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.**
2. **SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.**
3. **SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.**

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SECTION-A

Write short notes on the following :

1. What is EPS?
2. What is Float?
3. What is operating cycle?
4. What is Net Income Approach?
5. What is Debt?
6. Define Risk.
7. What is Strategy?
8. What is Equity?

SECTION-B

UNIT-I

9. Discuss the objectives of strategic financial management for a business firm.
10. Explain the advantages and disadvantages of Options.

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UNIT-II

11. How a corporate is valued? Discuss.

12. Write notes on the following :

    a) Modified IRR

    b) EVA Approach.

UNIT-III

13. Discuss the different approaches to capital structure decision of a firm.

14. Discuss buy back of shares from the view point of a company.

UNIT-IV

15. What is working capital management? Discuss its components.

16. Discuss the government policies for revival of sick units in detail.

SECTION-C

17. Read the following Case Study in detail and answer the questions :

Two types of error can arise when evaluating a credit decision. The type I error is advancing credit to a lesser-quality credit (that is, a 'bad credit' that has mistakenly been classified as a good credit') and thereby incurring an unanticipated loss. The type II error arises from misclassifying a good credit as a bad credit and thereby foregoing an opportunity to earn profit. The different risks can be portrayed in terms of the actual credit quality (here simply called 'good' or 'bad' credit) versus the analysed credit quality. In practice, the credit analyst will devote more time to avoiding type I errors; that is, to assessing bad credits as good ones. The financial consequences of accepting bad risks that have mistakenly been classified as good ones are greater than if some good risks are mistakenly rejected. This is because the costs of extending credit in a situation where there is a credit event are far greater than the opportunity for profit foregone by refusing credit to the good risk. This is due to the uncertainties in loss recovery rates and the opportunity costs involved. That said, a credit evaluation model that habitually rejects high-quality good credits as bad means excessive opportunity losses from foregone business. Hence the probability of default of a particular kind of credit needs to be carefully factored into any analytic framework. If the analyst can correctly identify the

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credit quality of the counterparty, then steps may be taken to protect the lender. For instance, in the case of a financial institution that holds a loan, asset or instrument, or credit position with the counterparty, this may be closed out, insurance purchased, or the loan sold off to another (less perceptive) institution. For a supplier extending trade credit, a (high-risk) customer can be required to pay cash or provide suitable collateral to offset the credit risk.

Answer the following questions :

a. Summarize the whole case briefly.

b. Why Credit can be Good or Bad? Discuss.

c. As per the case, why the role of the credit analyst is difficult?

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NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.

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