Roll No. Total No. of Pages : 02

Total No. of Questions : 15

MBA (2014 to 2017) (Sem.–3)

STRATEGIC FINANCIAL MANAGEMENT

Subject Code : MBA-924

Paper ID : [C1184]

Time : 3 Hrs. Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

1. SECTION-A contains SIX questions carrying FIVE marks each and students has to attempt any FOUR questions.
2. SECTIONS-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 consists of ONE Case Study carrying EIGHT marks.

SECTION-A

1. What is a Bond? Discuss the features of a bond.
2. What is Risk and Uncertainty? How we can calculate? Discuss.
3. What is Payback Period Method? Where it is applicable?
4. What is Negative Working capital? Discuss.
5. What is a Merger? Explain.
6. What is Capital Rationing? Explain.

SECTION-B

UNIT I

7. Discuss major objectives of Financial Management.
8. Why EVA approach is important? Discuss.

UNIT II

9. What is Dividend Policy? Does it matter? Discuss.
10. Discuss activity based costing in detail.

UNIT III

11. What is Higging's Sustainable growth model? Explain.

12. Discuss the major guidelines for risk management.

UNIT IV

13. What is Capital Budgeting Decision? Discuss its process.

14. What is corporate restructuring? Discuss its forms.

SECTION-C

15. Read the following case study and answer the questions mentioned at the end :

A major issue in establishing an appropriate risk management organisation structure is choosing between a centralised and decentralized structure. The Global trend is towards centralising risk management with integrated treasury management function to benefit from information on aggregate exposure, natural netting of exposures, economies of scale and easier reporting to top management. The primary responsibility of understanding the risks run by the bank and ensuring that the risks are appropriately managed should clearly be vested with the Board of Directors. The Board should set risk limits by assessing the bank's risk and risk bearing capacity. At organisational level, overall risk management should be assigned to an independent Risk Management Committee or Executive Committee of the top Executives that reports directly to the Board of Directors. The purpose of this top level committee is to empower one group with full responsibility of evaluating overall risks faced by the bank and determining the level of risks which will be in the best interest of the bank. At the same time, the Committee should hold the line management more accountable for the risks under their control, and the performance of the bank in that area. The functions of Risk Management Committee should essentially be to identify, monitor and measure the risk profile of the bank The Committee should also develop policies and procedures, verify the models that are used for pricing complex products, review the risk models as development takes place in the markets and also identify new risks. The risk policies should clearly spell out the quantitative prudential limits on various segments of banks' operations. Internationally, the trend is towards assigning risk limits in terms of portfolio standard or Credit at Risk (credit risk) and Earnings at Risk and Value at Risk (market risk). The Committee should design stress scenarios to measure the impact of unusual market conditions and monitor variance between the actual volatility of portfolio value and that predicted by the risk measures. The Committee should also monitor compliance of various risk parameters by operating Departments.

Questions:

a. What are the global trends for risk management practices?

b. What are the various functions of Risk Management Committee?

c. How should the risk polices be framed for effective risk management?