Tilak Maharastra University

Master of Business Administration (Distance)

(Semester - IV) - Internal Evaluation (Finance)

Strategic Financial Management

Marks : 80 **Code : MDF 404**

Note:

- The Paper Consist of two sections I& II
- Attempt any three questions from Section I
- Section II is Compulsory

Section I

1. a) What is Strategic financial management? How is it different from Financial Management? Explain the 9's model of strategic financial management.

OR

b) Explain ROI as base of any strategic financial management. (15)

2. a) Explain the pragmatic concept of productivity. (15)

OR

b) Explain in brief the factors on which cost-benefit analysis would be carried out by purchase manager. Also explain the analytical approaches to inventory cost analysis.

3 a) Explain marketing cost analysis in detail. (15)

OR

b) How is the traditional cost computation or absorption different from strategic cost analysis? Discuss strategic cost analysis in detail.

4 a) Write short notes on: (any three) (15)

1. Activity based costing.
2. Voluntary retirement scheme.
3. Value chain analysis.
4. Venture finance.
5. Economic value addition.

OR

b) Explain the symptoms of restructuring in detail.

Section – II

5. Case study: (25)

Siemens global limited (SGL) has got 3 product divisions- Electronic equipment (EE), electronic systems(ES) & environmental instruments(EI). The company is in process of expanding it's operations. It has to carry out the expansion gradually therefore has to decide on the choice of division to begin with. It's natural choice would be division doing well on all cost-profit-sale parameters ; so that the expansion exercise does not backfire. The following relevant data is given :

Particulars	EE	ES	EI
Annual capacity (units)	2000	500	1000
Present investment ($m)			
-Fixed asset	120	40	60
-Working capital	60	30	90
Variable cost/Sales price	40%	35%	50%
S.P per unit ($)	200,000	220,000	350,000
No. of employees	40	60	70
Operating Fixed cost ($m)(excluding depreciation)	10	5	10
Cost of funds used	10%	9%	7%
Credit to customers	30 days	45 days	60 days

SGL projects following expansion details for these three divisions

Particulars	EE	ES	EI
Additional investment-			
-Fixed asset ($m)	30	20	40
-Working capital ($m)	20	20	60
Extra capacity (units)	500	500	600
Savings in V. Cost for all units	5%	5%	10%
Sale price discount (on all units)	Nil	2%	2%
Extra operating fixed cost(excluding depreciation($m))	2	1	2
Cost of extra funds	9%	8%	7%
Average credit to customers	36days	54days	60days

Net income from EE and ES is taxable at 25% , whereas EI's income is taxable at 20% Present fixed assets and working capital used at head office are 20$m and 5$m respectively. The present corporate debt/equity ratio is 2:1 and additional investment would be funded only by debt. The present rate of cost of funds given is applicable only to the debt fund. The cost of equity is optional and hence not given here. Head office's cash operating fixed cost is 4$m p.a.

SGL is now planning to carry out analysis of :

1. Present cost profit sale investment performance of all the divisions. And
2. Impact of the expansion plan.

SGL would like to use 360^{o} angle approach for its analysis.

6. What are the various types of amalgamations and mergers ? Explain the financial aspects of Amalgamation and mergers. (10)