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IV Semester M.B.A. (Day and Eve.) Examination, November/December 2025
(CBCS – 2022-23 and Onwards)
MANAGEMENT

4.2.1 : Financial Techniques for Strategic Decision-Making

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any five** questions, **each** question carries 5 marks.

(5x5=25)

1. Explain the steps involved in simulation analysis.
2. Explain the pros and cons of Target Costing.
3. What is price sensitivity ? Explain the factors that contribute to price sensitivity.
4. Explain the concept of Triple Bottom Line.
5. ABC Ltd. is considering two mutually exclusive projects. The investment outlay of the projects is Rs. 10,00,000 and each is expected to have a life of 5 year. Under three possible situations their annual cash flows and probabilities are as under :

Situation	Probabilities	Cash Flow (Rs.)	
		Project A	Project B
Good	0.3	12,00,000	10,00,000
Normal	0.4	8,00,000	8,00,000
Worse	0.3	4,00,000	6,00,000

The cost of capital is 8 per cent. Which project should be accepted ? Explain with workings.

6. The Globe Manufacturing Company Ltd. is considering investment in one of the two mutually exclusive proposals - Project X and Y, which require cash outlays of Rs. 3,40,000 and Rs. 3,30,000. The Certainty-Equivalent (C.E.) approach is used in incorporating risk in capital budgeting decisions. The current yield on Government bond is 8% and this be used as riskless rate. The expected Debt cash flows and Certainty-Equivalents are as follows :

Year-end	Project X		Project Y	
	Cash flow Rs.	C.E.	Cash flow Rs.	C.E.
1	1,80,000	0.8	1,80,000	0.9
2	2,00,000	0.7	1,80,000	0.8
3	2,00,000	0.5	2,00,000	0.7

- a) Which project should be accepted ?
- b) If risk adjusted discount rate method is used, which project would be analysed with a higher rate ?

P.T.O.



7. A Company manufacturers cycles for both adults and children. Given below is the information about cycles made for children :

Particulars	Traditional CVP Analysis
Monthly Demand and Production	Rs. 10,000 units
Selling Price	Rs. 8,000 per unit
Variable Cost per unit	Rs. 7,500 per unit
Fixed Cost per month	Rs. 10,00,000 per unit

Find out the breakeven point per month and profit per month under the traditional CVP method.

SECTION – B

Answer **any three** questions, **each** question carries **ten** marks. **(3x10=30)**

8. State the internal and external factors affecting Capital Budgeting Decisions.
9. What is Product Life Cycle Costing ? Explain the different stages of Product Life Cycle and their characteristics.
10. KLM Ltd., is considering taking up one of the two projects, project K and project S. Both the projects having same life require equal investment of Rs. 80 lakhs each. Both are estimated to have almost the same yield. As the company is new to this type of business, the cash flow arising from the projects cannot be estimated with certainty. An attempt was therefore, made to use probability to analyse the pattern of cash flow from other projects during the first year of operations. This pattern is likely to continue during the life of these projects. The results of the analysis are as follows :

Project K		Project S	
Cash Flow (Rs.)	Probability	Cash Flow (Rs.)	Probability
11	0.10	09	0.10
13	0.20	13	0.25
15	0.40	17	0.30
17	0.20	21	0.25
19	0.10	25	0.10

- a) Calculate variance, standard deviation and co-efficient of variance for both the projects.
- b) Which of the two projects is riskier ?



11. A firm has an investment proposal, requiring an outlay of Rs. 80,000. The investment proposal is expected to have two years economic life with no salvage value. In year 1, there is a 0.4 probability that cash inflow after tax will be Rs. 50,000 and 0.6 probability that cash inflow after tax will be 60,000. The probability assigned to cash inflow after tax for the year 2 is as follow :

The cash inflow year 1	Rs. 50,000	Rs. 60,000
The cash inflow year 1	Probability	Probability
	Rs. 24,000 0.2	Rs. 40,000 0.4
	Rs. 32,000 0.3	Rs. 50,000 0.5
	Rs. 44,000 0.5	Rs. 60,000 0.1

The Firm uses a 10% discount rate for this type of investment.

- Construct a decision tree for the proposed investment project and calculate the expected Net Present Value (NPV).
- Will the project be accepted ?

SECTION – C

12. **Compulsory** question :

(1×15=15)

Initial cash outflows	2,00,000
Life	4 years
Cash inflow per annum	80,000
Discount rate	10%

Compute :

- NPV
- Measure Sensitivity of the Project to
 - Cost of the project
 - Cash Inflows
 - Life.