

2016

**MBA**

**MBA/BAD 4.3(A)**

**ADVANCED FINANCIAL MANAGEMENT**

**Full Marks : 70**

**Time : 3 Hrs**

Figures in the right hand margin indicate full marks for the question

**I . Write short note on (any five):**

**2X5=10**

- (i) Call option
- (ii) Exercise price
- (iii) Strangle
- (iv) Call premium
- (v) Collar
- (vi) Standard deviation
- (vii) Call offer
- (viii) Hostile takeover

**II. Answer the following: (Any five)**

**4X5=20**

- (i) Write a short note on European option and American Option **2+2=4**
- (ii) Discuss the three possibilities of the option holder exercising his right.

- (iii) Write a short note on long position.
- (iv) Write a short note on capital rationing.
- (v) Write a short note on covered call.
- (vi) Write a short note on divestment.
- (vii) Write a short note on sell off and spin off.
- (viii) State the benefits of mergers and acquisitions.

III. Answer the following: (any five)

8X5=40

- (i) Discuss the possible scenarios under call option and put option.
- (ii) The share of RIL is selling for Rs 104. Mr Jhunhunwala buys a 3 months call option at a premium of Rs 5. The exercise price is Rs 105. What is Radhey's pay-off if the share price is Rs 100, or Rs 105, or Rs 110, or Rs 115, or Rs 120 at the time the option is exercised?
- (iii) Discuss certainty equivalent.
- (iv) Discuss scenario analysis as a tool of risk analysis.
- (v) Discuss corporate restructuring and business combination and its types.
- (vi) Discuss Peter Drucker five rules for integration process.
- (vii) Discuss economic value added as a technique of calculation of shareholder value creation.
- (viii) A company is operating equipment, which is expected to produce net cash inflows of Rs 4,000, Rs 3,000 and Rs 2,000 respectively for next 3 years. A design, which is considered to be a technological improvement and more efficient to operate, has appeared in the market. It is expected that the new machine will cost Rs 12,000 and will provide net cash inflow of Rs 6,000 a year for 5 years. What should the company do? Assume 12 per cent discount rate.

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