**Course: Strategic Financial Management**

**Internal Assignment Applicable for June 2023 Examination**

**1) Sun Ltd plans to invest INR 500,000 in a project with the following cash flows:**

**Cash flow after tax year 1 = INR 100,000**

**Cash flow after tax year 2 = INR 300,000**

**Cash flow after tax year 3 = INR 200,000**

**Cash flow after tax year 4 = INR 200,000**

**The discount rate is 5 per cent and the risk adjusted discount rate is 20 per cent. Determine the NPV of the project using the risk adjusted discount rate. Will your decision be the same if the risk adjusted discount rate is increased to 22 per cent?**

**Answer:**

**Introduction**

Sun Ltd is considering investing in a project to bring in money for at least four years. The corporation utilizes a standard discount rate of 5% and a risk-adjusted discount rate of 20% to determine the project's potential profitability. The business has to determine the project's NPV at a risk-adjusted discount rate to analyze how a discount rate increase of 22% will affect the decision-making It is only half solved

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**2) Mergers and Acquisitions are a part of corporate restructuring exercises. Discuss the different forms and types of mergers and acquisitions.**

**Answer:**

Mergers and acquisitions, abbreviated as M&A, are strategic moves businesses make to reorganize their corporate operations. These transactions often include consolidating or combining two or more businesses into one entity. Activities related to mergers and acquisitions can take many forms, each with its characteristics and repercussions. The following is a list of the various styles and classifications of

**3) a) An investor purchases a August call option on Tata Motor’s stock, with an exercise price of Rs. 440. Determine the intrinsic value today if Tata Motor’s stock is trading at**

**i) Rs. 420**

**ii) Rs. 460 (5 marks)**

**3) b) Apple Ltd has deployed a capital of 400 million in Orange Ltd a 100 per cent owned subsidiary company and it incurs a cost of 10 per cent. The after-tax profit generated by the subsidiary company is INR 45 million. Compute the EVA generated by the company?**

**Answer 3a**

**Introduction**

Options are a common financial instrument investors use to speculate on or protect against movements in stock prices. The holder of a call option has the right but not the duty to purchase a given number of shares of stock at an agreed-upon price (the exercise price or strike price) within a given time frame. An essential concept in options trading is the intrinsic value of a call option, which indicates to investors whether or not the option is profitable given the current stock price. Given a range of stock prices