**Strategic Financial Management**

**September 2023 Examination**

**1. Maurya Ltd is in the process of considering a project with expected cash flows as follows**

**(Rs in ‘000):**

**Initial investment is Rs 25,00,000**

**Depreciated on a straight-line basis over 5 years, nil salvage value.**

**Revenue and cost details for years 1–5 is given below:**

**Revenue (Rs.20 per unit) Rs. 20,00,000**

**Variable cost (Rs. 8 per unit) Rs. 8,00,000**

**Annual fixed costs of Rs. 4,00,000**

**Corporate tax rate applicable to Maurya Ltd is 30%.**

**Calculate the feasibility of the project, using a discount rate of 12%. (10 Marks)**

**Ans 1.**

**Introduction**

Internet present price (N.P.V.) can be defined as the price of all destiny cash flows (poor and acceptable) over the whole lifestyles of funding discounted to the current scenario. N.P.V. analysis is an intrinsic valuation. It's far used across finance and accounting for calculating the value of a business, investment security, new venture, capital project, and fee reduction application.

N.P.V. evaluation is used to help calculate how lots funding, assignment, or any collection of inflows and outflows is worth. It is an all-encompassing metric, as it considers all revenues,

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**2. Several stock valuation techniques are available to an investor. Discuss the techniques of stock valuation available and how an investor will choose which technique to use. (10 Marks)**

**Ans 2.**

**Introduction**

Each investor who desires to beat the inventory market should study the ability of stock valuation. Stock valuation is a technique for determining a stock's intrinsic cost (or theoretical price). The importance of valuing shares evolves because an inventory's intrinsic price may additionally range from its cutting-edge charge. By knowing an inventory's inherent value, an investor may further determine whether it is over- or undervalued at its modern market price.

• A stock valuation may be described because the system of valuing organizations and evaluating the valuation to the C.M.P. to peer whether or not a stock is below or

**3. a. Suppose NHAI issues bonds at INR 1000, maturity date is in 5 years, the annual coupon payment is INR 100, which is 10 per cent and the market interest rate is 8 percent. What would be the present value of the bond?. (5 Marks)**

**Ans 3a.**

**Introduction**

A bond is a set-income device that states a loan made by using an investor to a borrower (generally authorities or corporate). A bond might be considered an I.O.U. Between the borrower and lender, which includes the loan information and bills. Adhesives are used by organizations, municipalities, states, and sovereign governments to finance tasks and

**b. An investor purchases a June call option on ICICI bank’s stock, with an exercise price of Rs. 870. Determine the intrinsic value today if ICICI bank’s stock is trading at**

**i) Rs. 850**

**ii) Rs. 890 (5 Marks)**

**Ans 3b.**

**Introduction**

Futures and alternatives are the major stock spinoff trading types in a proportion market. Those are contracts signed through each event for buying and selling a stock asset at a predetermined charge at a later date. Such agreements try to hedge market uncertainties in market buying and selling by locking inside the price in advance.

Destiny and options in the proportion market are contracts that derive their charge from an