

billing or when the payment is received from the client. However, since in our case we usually have a contract with our clients for specified advertising campaigns, we should follow the method. We should recognise the revenue as soon as an advance billing is made. When we make an advance billing, we establish accounts receivable with clients and record estimated liability to the media and commission campaigns. We also estimates expenses and establish a liability for these estimated expenses related to the client's billings. The final adjustments are made when the complete process of the advertising campaign is over and the final statements are sent to the clients".

After listening to the finance manager, the managing director wondered as to what would be the effect on reported income, if the agency decided to adopt first of the two alternatives suggested by the Finance Manager.

Required: Which method of revenue recognition will you recommend to Sangam Advertising Agency? Explain the reason for your recommendation.

MBFM 3001

M.B.A. DEGREE EXAMINATION, JUNE 2014.

Third Semester

Finance

STRATEGIC FINANCIAL MANAGEMENT

Time : Three hours Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions out of Eight.

1. Explain Strategic Planning Process.
2. What are the applications of Financial Models?
3. Explain Risk Adjusted Discount Rate.
4. Explain the reasons for Mergers and benefits of Mergers.
5. Explain Venture Capital Need and Importance.
6. Write a note on Fiscal Incentives.
7. Write on Innovative Sources of Finance for Business.
8. Explain Warrants and Commercial Papers.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions out of Eight.

9. Explain the uses and limitations of Financial Modelling.
10. Discuss the techniques of Investment Decision.
11. Explain the process and methods of Financing.
12. Comment on Hybrid Securities Need and Importance of them.
13. Explain the tools and Techniques of Financial Modeling.
14. Explain Venture Capital Concept and recent Developments In India.
15. Explain Hybrid Securities requirement in Modern financing.
16. Explain the Importance and various Types of Leasing.

PART C — (1 × 20 = 20 marks)

**Case Study
(Compulsory)**

17. (Sangam advertising Agency (SAA) :-

SAA has a large number of clients for whom it handles advertising campaigns. The agency's task involves developing advertising copy for layout, contacting various media for proper spacing of ads

and doing media planning for the client. As soon as request is received from a client, the accounts executive of the agency meets the concerned persons in the clients organisation and prepares a detailed plan of action. Thereafter, an invoice is sent to the client that shows the estimated media cost and the commission of the agency. The agency charges a commission of 20% of the media cost. The practice of sending an advance billing is quite common in the advertising industry. It has been the experience of the agency that the later adjustments of the advance billings are minor. The agency insists that clients make the payments to the agency as soon as the advance billing is submitted and it has been able to persuade the clients to do so. Thus, quite often the receipt of case occurs much prior to the actual release of advertisement.

The managing director, Mr. Holliok of the agency was concerned as to how the income should be measured for a particular year. He sought the advice of his finance manager. The finance manager in his discussion with the managing director said "In our kind of business, we have two alternative time frames for recognition of revenue. It could be recognised at the time of advance