

17P447

(Pages: 3)

Name.....

Reg. No.....

**FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2019**

(CUCSS - PG)

**CC15P MC4 E03 - STRATEGIC FINANCIAL MANAGEMENT**

(Regular\Improvement\Supplementary)

(2015 Admission)

Time: Three Hours

Maximum: 36 Weightage

**Part A**

Answer *all* questions. Each question carries 1 weightage.

1. What is spin-off?
2. What is shareholders value creation?
3. What is in the money option?
4. What is a Hostile takeover?
5. What is financial lease?
6. What is leveraged buy out?

**(6 x 1 = 6 Weightage)**

**Part B**

Answer any *six* questions. Each question carries 3 weightage.

7. Explain briefly the takeover regulations prescribed by SEBI.
8. Enumerate the features of EVA.
9. Discuss the relationship between dividend policy and the value of the firm.
10. Explain briefly the merger procedure.
11. Discuss different takeover strategies.
12. The following information is available in respect of ABC Ltd:  
EPS Rs.10  
Cost of capital 10%  
Find out the market price of the share under different rates of return of 7%, 10% and 13% for different payout ratios of 40%, 80% and 100% using Gordon's model.
13. A firm sells 80,000 units of a product. The selling price per unit is Rs.9 and the variable cost per unit is Rs.3. Fixed cost for the year amounts to Rs.3,00,000. Calculate operating leverage and degree of operating leverage, if it sells (a) 96,000 units and (b) 64,000 units.
14. What are the factors do you consider in capital structure planning and policy?

**(6 x 3 = 18 Weightage)**

(1)

**Turn Over**

**Part C**

**17P447**

Answer any *two* questions. Each question carries 6 weightage.

15. What is lease financing? Evaluate different types of lease finance.  
 16. A company's Income statement and Balance sheet is given (Rupees in lakhs)

**Income Statement**

Net sales	2,600
Cost of goods sold	1,400
SG and A Expenses	400
Depreciation	150
Other operating expenses	100
Operating income	550
Interest expenses	200
Income before tax	350
Income tax (40%)	140
Net profit after tax	210

**Balance Sheet**

Assets		Liabilities	
Current Assets		Current liabilities	
Cash	50	Accounts payable	100
Receivable	370	Accrued expenses	250
Inventory	235	Short term debt	300
Other current assets	145	Total current liabilities 650	
Total current assets 800		Long term liabilities	
Fixed assets		Long term debt	760
Property, land	650	Total long term liabilities 760	
Equipment	410	Capital (Common Equity)	
Other long term assets	490	capital stock	300
Total fixed assets 1,550		Retained earnings	430
		P&L	210
		Total equity capital 940	
Total Assets 2,350		Total liabilities 2,350	

- (a) Calculate Net Operating Profit After Tax  
 (b) Identify company's Capital  
 (c) Determine a reasonable Capital Cost Rate  
 (d) Calculate company's Economic Value Added

(2)

17. Company X is considering the purchase of company Y. The following are the financial data of the two companies.

	Company X	Company Y
Number of shares	4,00,000	1,00,000
Earnings per share (EPS)	Rs. 6.00	Rs. 4.50
Market Value Per share	Rs. 30.00	Rs. 20.00

Assuming that the management of the two companies have agreed to exchange shares in proportion to

- i) the relative earnings per share of the two firms.  
 ii) 4 shares of company X for every 5 shares held in company Y.

You are required to illustrate and comment on the impact of merger on the EPS.

**(2 x 6 = 12 Weightage)**

\*\*\*\*\*

(3)