(7 pages) **Reg. No. :** ....

Code No. : 9142 **Sub. Code : KBAE 42**

M.B.A. (CBCS) DEGREE EXAMINATION, APRIL 2018.

Fourth Semester

Business Administration

Elective – STRATEGIC FINANCIAL MANAGEMENT

(For those who joined in July 2016 and afterwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. ________________ provides financial return to shareholders in excess of their normal return at no expense to other stakeholders.

   (a) EVA

   (b) MVA

   (c) both (a) and (b)

   (d) Risk

2. ___________ identifies potential fund services like equity and debt, long or short to sustain investment.

   (a) Fiscal policy

   (b) Financial policy

   (c) Investment policy

   (d) Trade policy

3. ____________ which was normative in approach came to the rescue, spurred on by post war theory.

   (a) Economic theory

   (b) Political theory

   (c) Socio culture

   (d) None of the above

4. ____________ is a foreword between flexibility and uniformity in financial management

   (a) Trade off (b) Sell off

   (c) Profitability (d) Financial distress

5. ____________ are an irrelevance in the determination of corporate value and wealth

   (a) Dividend distribution policies

   (b) Financial policies

   (c) Investment policies

   (d) Economic policies

6. ______________ is used with payback to assess the investment profitability

(a) Accounting rate of return

(b) Net present value

(c) Annual rate of return

(d) None of the above

7. ______________ is rarely easy to compute and in exceptional cases is not a real number

(a) Internal rate of return

(b) Payback

(c) Annual rate of return

(d) None of above

8. ______________ must be removed from fixed costs because it is not a cash flow

(a) Depreciation (b) Discount

(c) Break even (d) Profitability

9. ____________ is attractive to management because interest rates on debt are typically lower than cost of equity.

(a) Corporate borrowing

(b) Merger

(c) Amalgamation

(d) Financial restructuring

10. Lease is an agreement for the Use of assets for a

(a) specified rental

(b) non specified rental

(c) financial stability

(d) financial strategy

PART B — (5 × 5 = 25 marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) What do you mean by strategic financial management?

Or

(b) Write a note on the financial Planning.

12. (a) What do you mean by investment decisions?

Or

(b) Briefly explain corporate strategy.

13. (a) Write a note on financial restructuring.

Or

(b) What are the various financing Options that are followed in finding a good capital structure?

14. (a) How do you evaluate decisions relating to leasing or buying alternatives.

Or

(b) Write notes on the following :

(i) Financial distress

(ii) Arbitrate Pricing.

15. (a) What is takeover strategy? State SEBI guidelines with regard to takeovers.

Or

(b) Briefly explain Gordon's relevance of theory of dividends.

PART C — (5 × 8 = 40 marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) What is strategic Planning? Explain the constraints of strategic Planning.

Or

(b) Discuss the importance of strategic financial management.

17. (a) Explain the long term investment plan analysis with risk and return.

Or

(b) A large sized chemical company has been expected to grow at 14% per year for the next 4 years and then to grow indefinitely at the same rate as the national economy i.e 5%. The required rate of return on equity is 12%. Assume that the company paid a dividend of Rs. 2 per share last year (D_0= 2)

Determine the market price per share using Gordon dividend growth model?

18. (a) Explain the characteristics of corporate restructuring.

Or

(b) Explain the merger and dilution effect on earnings per share.

19. (a) Discuss the process of evaluating leasing from the lessor's perspective.

Or

(b) Write short notes on the following:

(i) Market value added

(ii) Sell off

(iii) Buyback of shares

(iv) Profitability index.

20. (a) Following are the details regarding three companies A Ltd., B Ltd.. C Ltd.,

Particulars	A Ltd.,	B Ltd.,	C Ltd.,
Internal Rate of Return	15%	5%	10%
Cost of equity	10%	10%	10%
Earnings per share	Rs.8	Rs. 8	Rs.8

Calculate the value of equity share for each of the company applying Walter's model when dividend payout ratio (D/P ratio) is (i) 50% (ii) 75%

Or

(b) Large company is acquiring small company on a share exchange basis. Their selected data are as follows:

	Large Company	Small Company
Profit after tax (Rs. in lakhs)	56	21
Number of share (Lakhs)	10	8.4
Earnings per share	5.6	2.5
Price earnings ratio	12.5	7.5

Determine:

(i) Pre merger market value per share

(ii) The maximum exchange ratio large company should offer without the dilution of (1) EPS (2) Market value per share.