PG – 112

Fourth Semester M.B.A. (Day) Degree Examination, June/July 2013
(2007-08 Scheme)
Management
F5 : STRATEGIC FINANCIAL MANAGEMENT

Time : 3 Hours Max. Marks : 75

SECTION – A **(6×2=12)**

1. Answer **any six** sub-questions. **Each** sub-question carries **2** marks.

   a) What is firm value ?

   b) What is capital structure ?

   c) Define book value.

   d) Define brand equity.

   e) What is economic depreciation ?

   f) Define financial engineering.

   g) What is an LBO ?

   h) Define time value of money.

SECTION – B **(3×8=24)**

Note : Answer **any three** of the following. **Each** question carries **8** marks.

2. Describe the process of working out balanced score card.

3. Discuss the scope and components of strategic financial management.

4. Discuss the different approaches to valuation of intangible assets.

5. The cost of capital is 10 per cent and its EPS is Rs. 10 for growing, normal and declining companies. The return on investment of growth, normal and declining companies are 15 per cent, 10 per cent and 8 per cent respectively. Analyse the effect of dividend policy on value of the firm according to Garden's model. Assume 40 per cent, 60 per cent and 90 per cent payout ratios.

P.T.O.

6. A firm has no debt in its capital structure. It has an expected annual net operating income of Rs. 100,000 and the equity capitalisation rate, (ke) is 10 percent. Now the firm is able to change its capital structure replacing equity by debt of Rs. 300,000. The cost of debt is 5 percent. Analyse the impact of change in capital structure on the value of the firm considering the assumptions of net income approach.

SECTION – C **(2×12=24)**

Note : Answer **any two** of the following. **Each** question carries **12** marks.

7. Discuss the different forms of corporate restructuring.
8. Discuss the challenges of financial management in public, private and sick industrial enterprises.
9. The following are the financial statements of Macro Company Limited for the year 2012.

Capital and Liabilities	Amount (Rs in lakhs)	Assets	Amount (Rs. in Lakhs)
Creditors	7,500	Cash	15,000
Borrowings	35,000	Inventory	18,000
Paid up Share capital	25,000	Debtors	6,000
Reserves and Surplus	26,500	Net Fixed Assets	55,000
Total	**94,000**	**Total**	**94,000**

Profit and Loss	**Rs. in Lakhs**
Sales	43,000
Gross Profit	31,000
PBIT	3,500
PBT	27,500
PAT	24,875

Calculate the sustainable growth rate for the Macro Company Limited. Discuss the results of your calculations for the analysis of M&As.

SECTION – D (1×15=15)

Note : Answer the following case study. This question is **compulsory**.

10. Small Company is being acquired by Large Company on a share exchange basis.

Their selected data are as follows :

Particulars	**Large Co.**	**Small Co.**
Profit After tax (Rs. in Lakh)	56	21
Number of Shares (Lakhs)	10	8.4
Earnings Per share (Rs.)	5.6	2.5
Price earnings Ratio	12.5	7.5

a) Determine the pre-merger, market value per share.

b) Determine the maximum exchange ratio Large Company should offer without dilution of market value per share.

c) What factors would affect the above expected acquisition ?