C 3557 (Pages : 2) Name..............................

Reg. No..................

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, JUNE 2016

(CUCSS)

MC 4E (FM) 03 – STRATEGIC FINANCIAL MANAGEMENT

(2010 Admission onwards)

Time : Three Hours Maximum : 36 Weightage

Part *A*

Answer all questions.
Each question carries 1 weightage.

1. What is Risk-Return Trade off?
2. Define Leveraged Lease and Swap Lease.
3. What is Capital Gearing and Trading on Equity?
4. Define Decision Tree Analysis.
5. What is Hive off and Demerger ?
6. State any *four* dangers of mergers.

(6 x 1 = 6 weightage)

Part B

Answer any six questions.
Each question carries 3 weightage.

7. Point out the charges in financial goals and strategies of corporates of modern India.
8. List out the key factors governing the appropriate capital structure decisions.
9. "Risk Analysis of capital investments is one of the must complex, controversial and slippery areas in finance". Comment.
10. What factors and developments are responsible for Corporate Restructuring?
11. What are the legal and procedural aspects of amalgamations or acquisitions? Briefly explain.
12. Briefly explain strategies and defensive strategies in Takeovers.
13. "The choice of an appropriate, dividend policy affects the value of the firm". Comment.
14. The following information are taken from the books of a company :

    Selling price Rs. 28 P.V., Variable cost Rs. 18 P.V., BEP 4,000 units. You are required to find out the operating and financial leverages for @ 5000 units of output ; and (b) 6,000 units of output.

(6 x 3 = 18 weightage)

Turn over

Part C

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

15. Enumerate the problems encountered during amalgamations.

16. A company has the following estimates of the present values of future cash flows after taxes associated with the investment proposal, concerned with expanding the plant capacity. It intends to use decision tree approach to get a clear picture of the possible outcomes of this investment. The plant expansion is expected to cost Rs. 3,00,000. The respective PV of future CFAT and probabilities are as follows :

With expansion Rs.	Without expansion Rs.	Probabilities
3,00,000	2,00,000	0.2
5,00,000	2,00,000	0.4
9,00,000	3,50,000	0.4

Advise the company regarding the financial feasibility of the project.

17. Ace Limited has a share capital of Rs. 1,00,000 divided into shares of Rs. 10 each. The management is considering the following alternatives of financing a capital expenditure of Rs. 50,000

(i) Issue of 10% debentures.

(ii) Issue of 5,000, 12% preference shares of Rs. 10 each.

(iii) Issue of 5,000 shares of Rs. 10' each.

Calculate the effect of each of the options on the earnings per share, assuming :

(a) EBIT continues to be same even after the capital expenditure.

(b) EBIT increases by Rs. 15,000.

(c) Tax liability by 40%.

The earnings before interest and taxes (EBIT) is Rs. 30,000 p.a..

(2 x 6 = 12 weighta