D 101150 **(Pages : 3)** **Name.......................................**

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

FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2024

(CBCSS)

Master of Commerce

MCM4E(F)04—ADVANCED STRATEGIC FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Answers should be written in English only.

Part A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. What is LBO ?
2. What is bear hug ?
3. What is meant by build lease transfer ?
4. What is operating leverage ?
5. Differentiate sell off from spin off.
6. What do you mean by capital rationing ?
7. What is options delta ?

(4 × 2 = 8 weightage)

Part B

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

8. East Co. Ltd is studying the possible acquisitions of Fost Co. Ltd by way of merger. The following are available in respect of the companies.

Particulars	East Co. Ltd	Fost Co. Ltd
Earnings after tax (Rs.)	2,00,000	60,000
Number of Equity shares	40,000	10,000
Market value per share (Rs.)	15	12

Turn over

i. if the merger goes through by exchange of equity share and the exchange ratio is based on the current market price, what is the new earnings per share for East Co. Ltd ?

ii. Fost Co. Ltd wants to be sure that the earnings available to its shareholders will not be diminished merger. What should be the exchange ratio in that case ?

9. Two firms A and B are in a similar type of business. Firm A has financed all operations by equity shares where as Firm B has used equity and debt 50 percent each. Other parameters for both the firms are as follows :

Sales revenue : Rs. 1 crore

Selling price : Rs.160

Unit variable cost : Rs. 100

Fixed cost : Rs. 25,00,000

Interest on debt for firm 'B' : Rs. 2,50,000.

Calculate degree of Operating Leverage, Financial Leverage and Combined Leverage for both firms.

10. Write a descriptive note on leveraged buy out.

11. What are the defensive tactics available to the target company to avoid acquisition ?

12. What are the purposes and constraints involved in corporate restructuring ?

13. Explain the concept of leveraged lease. Mention its features.

14. Firm A is considering acquiring Firm B. Financial details of firm 'A' and firm 'B' are given below :

Particulars	Firm A	Firm B
Preference Share capital	35	–
Equity share capital of Rs.10 each	80	30
Share premium	2	5
Profit and Loss Account	45	10
10% debentures	28	10
Total	190	55
Fixed assets	150	40
Current Assets	40	15
Total	190	55
Profit after tax and preference dividend	30	12

Market share price of firm A and firm B is Rs.30 and Rs.45 respectively. Determine the share exchange ratio and number of shares of firm A to be issued to target firm B based on (i) net assets value, (ii) EPS and (iii) market share price. Which is better from the point of view of firm A ?

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. A firm has two financial options for procuring machinery costing Rs. 20,00,000 to be used for five years. The details of two options are given as follows :

    Option 1 : it can borrow Rs. 20,00,000 at an interest rate of 20 percent. The loan is repayable at 5-year end installment. The salvage value at the end of its economic life of 5 years will be Rs. 2,00,000.

    Option 2 : take the assets on lease for a period of five years by paying yearly rental of Rs. 6,50,000. The rentals will be payable at the end of each year.

    Depreciation on machinery is allowable on written down basis at 15 percent. The applicable tax rate for the firm is 40 percent and cost of capital of the firm is 20 percent. Ignoring any capital gain or loss, evaluate the two options and suggest whether to buy or lease the asset.

16. Firm A acquires B on share exchange basis. Prior to acquisition, the information is as follows :

Particulars	Firm A	Firm B
Number of shares	40,000	20,000
Total earnings (Rs.)	10,00,000	5,00,000
Market price of share	40	30

The shareholders of firm B are offered three shares of firm A against four shares of firm B. Determine :

a) EPS of the amalgamated firm with respect to before take over position.

b) Gain or loss of the shareholders of both the firms, consequent to amalgamation.

17. Explain the advantages and constraints to leveraged buyouts.

18. Explain the importance of strategic financial management.

(2 × 5 = 10 weightage)

D 101150-A **(Pages : 4)** **Name.......................................**

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

FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2024

(CBCSS)

Master of Commerce

MCM4E(F)04—ADVANCED STRATEGIC FINANCIAL MANAGEMENT

(2019 Admission onwards)

[Improvement Candidates need not appear for MCQ Part]

(Multiple Choice Questions for SDE Candidates)

Time : 20 Minutes	**Total No. of Questions : 20**	**Maximum : 5 Weightage**

INSTRUCTIONS TO THE CANDIDATE

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

506720

MCM4E(F)04—ADVANCED STRATEGIC FINANCIAL MANAGEMENT

(Multiple Choice Questions for SDE Candidates)

1. From the below-mentioned items which are financial assets ?

   (A) Machines. (B) Bonds.

   (C) Stocks. (D) (B) and (C).

2. The market value of the shares is decided by :

   (A) The investment market. (B) The government.

   (C) Shareholders. (D) The respective companies.

3. Which of the following is concerned with the maximization of a firm's earnings after taxes ?

   (A) Shareholder wealth maximization.

   (B) Profit maximization.

   (C) Stakeholder maximization.

   (D) EPS maximization.

4. The residual theory of dividends suggests that dividends are ———————— to the value of the firm.

   (A) Residual. (B) Relevant.

   (C) Irrelevant. (D) Integral.

5. Which one of the following is / are the relevance theory ?

   (A) Gorden. (B) Walter.

   (C) Residual. (D) Both (A) and (B).

6. Stock dividend is also known as :

   (A) Interim dividend. (B) Bonus shares.

   (C) Right shares. (D) Property dividend.

7. The dividend irrelevance theorem to share valuation was propounded by :

   (A) James .E.Walter. (B) Myron Gordon.

   (C) Modigliani and Miller. (D) None of the above.

8. Which of the following is not an assumption of the Modigliani-Miller model ?
   (A) There are perfect capital market.
   (B) Investors do not behave rationally.
   (C) No floatation and transaction cost.
   (D) No more investors to affect market price of shares.
9. Book value of assets includes :
   (A) Fixed assets, current asset.
   (B) Fixed assets, current asset, intangible asset.
   (C) Fixed assets, current asset, fictitious asset.
   (D) Fixed assets, current asset, intangible asset, fictitious asset
10. In Walter model formula D stands for ————————.
   (A) Dividend per share.
   (B) Direct dividend.
   (C) Direct earnings.
   (D) None of these.
11. This merger involves firm engaged in unrelated types of activities :
   (A) Vertical.
   (B) Horizontal.
   (C) Conglomerate.
   (D) Demerger.
12. When existing company is dissolved to form few new companies, it is called as ————————.
   (A) Spin off.
   (B) Split off.
   (C) Split up.
   (D) All of the above.
13. It means an acquirer takes over the control of the target company :
   (A) Joint Venture.
   (B) Takeover.
   (C) Disinvestment.
   (D) Demerger.
14. Earnings Per Share (EPS) is equal to ————————.
   (A) Profit before tax/No of outstanding shares.
   (B) Profit after tax / No of outstanding shares.
   (C) Profit after tax / amount of equity capital.
   (D) Profit after tax / amount of equity capital.

Turn over

15. ———————— has laid down the guidelines for takeovers in order to protect the interest of the small investors.

    (A) SEBI. (B) RBI.

    (C) Both (A) and (B). (D) Government.

16. Which of the performance evaluation methods takes into consideration tax effects ?

    (A) Economic value added. (B) Return on sales.

    (C) Residual income. (D) Return on investment.

17. Which of the following best describes "Market Value Added" ?

    (A) The value added to the product the firm produces above and beyond the costs of inputs.

    (B) The difference between book value of equity and debt versus the market value of the firm.

    (C) The difference between the market value of the firm and the amount of contributed capital.

    (D) None of the above accurately describes Market Value Added.

18. What is the value of the firm usually based on ?

    (A) The value of debt and equity. (B) The value of equity.

    (C) The value of debt. (D) The value of assets plus liabilities.

19. Which of the following is a pre offer take-over defenses ?

    (A) Crown Jewel. (B) People pill.

    (C) Poison pill. (D) PAC man defense.

20. Which of the following is a post offer take- over defense ?

    (A) Poison pills. (B) Golden parachute.

    (C) White knight. (D) Dual class stock.