

**FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2022**  
**(Regular/Improvement/Supplementary)**

**COMMERCE**  
**FMCM4E04 - ADVANCED STRATEGIC FINANCIAL MANAGEMENT**

**Time: 3 Hours**

**Maximum Weightage: 30**

**Part A: Answer any *four* questions. Each carries *two* weightage.**

1. State the important characteristics of Strategic Financial Management.
2. Define, "Market-to-Book Value".
3. List the features of financial leasing.
4. Compare "Vertical" and "Conglomerate Merger"
5. State the "Bird in hand" theory of dividend.
6. What is meant by "Spin-off"?
7. Distinguish between NPV and IRR.

**(4 × 2 = 8 weightage)**

**Part B: Answer any *four* questions. Each carries *three* weightage.**

8. Explain the scope of strategic financial management.
9. What is EVA? Enumerate its features.
10. Explain briefly the differences between "Mergers" and "Takeovers."
11. Discuss the significance of Financial Leverage with an illustration.
12. A chemical company has been expected to grow at 14% per year for the next four years and then to grow indefinitely at the same rate as the national economy ie. 5%. The required rate of return on the equity shares is 12%. Assume that the company paid a dividend of Rs. 2 per share last year. Determine the market price of the shares today.
13. Consider the figures available for Greaves Ltd: Net sales Rs. 16 crores, EBIT as a percentage of sales 10%, Corporate tax rate 40%, Capital employed: Equity share capital (Rs. 10 each) – Rs. 4 crores, 10% Preference shares of Rs. 100 each – Rs.3 crores, 12% Secured debentures Rs. 2 crores. You are required to calculate: (a) EPS of Greaves Ltd. (b) The percentage change in EPS if EBIT increases by 10%.

**(P.T.O.)**

14. The following are the operating results of a firm: Sales (units) -25000, Interest per annum – Rs. 30000, Selling price per unit – Rs 24, Tax rate 50%. Variable cost per unit Rs. 16, No. of equity shares – 10000, Fixed costs per annum – Rs. 80000. Compute EPS, Operating leverage and financial leverage.

(4 × 3 = 12 weightage)

**Part C: Answer any two questions. Each carries five weightage.**

15. The following information is provided related to the acquiring firm A Ltd. and the target firm B Ltd.

	Firm A	Firm B
EAT (Rs. In Lakhs)	1000	200
Number of shares outstanding (in Lakhs)	100	50
EPS(Rs.)	10	4
P/E ratio	10	5
MPS (Rs.)	100	20

- (a) What is the swap ratio based on current market prices?  
 (b) What is the EPS of A Ltd. after acquisition?  
 (c) What is the expected MPS of A Ltd. after acquisition, assuming P/E ratio of Firm A remains unchanged?  
 (d) Determine the market value of the merged firm.
16. Following data about the equipment is available.

Cost of equipment –Rs. 3170 lakhs

Cost of debt – 10% loan repayable in four equated installments at the end of each year

Annual maintenance cost – Rs. 250 lakhs

Salvage value at the end of fourth year – Rs. 170 lakhs

Tax rate – 40%

Depreciation is provided on straight line basis.

Calculate the present value of net cash outflows after tax under debt financing.

17. Explain in detail the factors influencing capital structure of firms.  
 18. Classify the different forms of Takeovers. Also discuss the takeover regulations of SEBI.

(2 × 5 = 10 weightage)