D4ACM2204 (2 Pages) Name............................
Reg.No..........................

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2024
(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. Define SGR.
2. What is the importance of leverage in assessing risk dimensions of a business enterprise?
3. What is cross border lease?
4. Explain the concept diluted EPS.
5. Discuss any two takeover defense tactics.
6. Write a note on ‘financial synergy’.
7. What are hostile bids?

(4 × 2 = 8 weightage)

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

8. Flora investors want to calculate EVA. They submit you the following details:
NOPAT – Rs.20,00,000, Share capital – Rs.40,00,000, Reserve – Rs.15,00,000, 10% Debt – Rs.10,00,000, WACC – 12%.
9. What are the determinants of capital structure decision?
10. Eden Ltd. has a capital structure that consists 8% debentures of Rs.4,00,000. The company is expecting an EBIT of Rs.2,00,000 and its overall cost of capital is 10%. Calculate cost of equity under NOI approach. Also show the changes in cost of equity capital and value of equity when amount of debt increases from Rs.4,00,000 to Rs.8,00,000.
11. How a finance lease is different from operating lease?.
12. Discuss the reasons behind mergers.

(P.T.O.)

13. You are given the following information in respect of two companies Moon Ltd. and Star Ltd.

Particulars	Moon Ltd.	Star Ltd.
Sales	20,00,000	40,00,000
Variable cost ratio	40%	30%
Fixed costs	6,00,000	16,00,000
Interest expense	2,00,000	4,00,000

a) Calculate operating, financial and combined leverages of both companies.

b) Comment on the relative sensitivity of sales on EPS of Moon Ltd. and Star Ltd.

14. Following are the details of Sharika Ltd. Show the effect of dividend policy on the market price of share using Walter's model. Assumed dividend payout ratios are 50% and 100%. Capitalization rate - 12%, EPS - 12, Assumed rate of returns on investment are 10% and 15%.

(4 × 3 = 12 weightage)

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

15. What is MVA? Explain its significance.

16. Scot Ltd. has employed total funds of Rs.50,00,000 raised by the issue of 10% debts (Rs.20,00,000) and equity shares of Rs.100 each at par. Cost of equity is 15% and tax rate is 30%. Debt is repayable after 5 years at par. Find out the value of the firm and that of equity if the after tax operating cash flows of the firms for the next 5 years are as follows (assumed life of 5 years only).

Year	1	2	3	4	5
Cash flow	20,00,000	10,00,000	25,00,000	20,00,000	35,00,000

17. Joyal Ltd. is planning to have an access to a machine for a period of 5 years. The company can either have an access through the leasing arrangement or it can borrow money at 14% to buy the machine. The company is in 50% tax bracket.

Annual lease rental for the machine is Rs.1,20,000 payable at the end of each year for 5 years. Machine is available in the market for Rs.3,43,000. The company would have to repay the 14% five year loan in 5 equal installments; installments becoming due at the end of each year. Machine would be depreciated on a straight line basis, with no salvage value. As a financial consultant, indicate what your advice will be.

18. Distinguish between sell offs and spin offs.

(2 × 5 = 10 weightage)