D4ACM2304 (2 Pages) Name............................
Reg.No..........................

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2025
(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. Give a brief of strategic financial management.
2. Calculate SGR from the following:

   ROE: 21.3%, Dividend Payout Ratio: 40.3.
3. Discuss the significance of the Debt-Equity ratio.
4. What are scrip dividends?
5. Write a note on spin-off
6. What is a leveraged lease?
7. Explain swap ratio.

(4 × 2 = 8 weightage)

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

8. Parag Ltd.'s shareholders' equity amounts to Rs.75,00,000. The company has 50,000 preferred shares and 10,00,000 common shares outstanding. The present market value for the common shares is Rs.12.50 per share and Rs.100 per share for the preferred shares. Calculate MVA.
9. Calculate the IGR of Morison Ltd. using the following information.

Total assets	10,00,000
Net income	1,00,000
Dividend paid	20,000

10. The following key information pertains to Ashika Ltd. for the year 2023-24.

Items	*Amount in lakhs*
Sales	82.50
Variable Cost	46.20
Fixed Cost	6.60
9% Debentures	50.00
Equity Shares (₹ 100 each)	60
Corporate Tax	35%

a) What is the ROI of the company?
b) Does it has favourable financial leverage?

11. Discuss the features of an operating lease.
12. Give an account on different types of takeover strategies.
13. Explain the merits and demerits of LBOs.

(P.T.O.)

14. The following information is available regarding Good Ltd., Better Ltd and Best Ltd. To diversify and expand its operations, Best Ltd is searching for smaller companies. It has shortlisted Good Ltd. and Better Ltd. Swap ratio to be offered is to be determined on the basis of the PE ratio.

Particulars	Best Ltd.	Better Ltd.	Good Ltd.
No. Equity shares	90,000	36,000	18,000
EPS	2	1	2
PE Ratio	30	37	23

Find out the EPS of Best Ltd. after the merger of Better Ltd., Good Ltd and Both. Which one would you suggest?

(4 × 3 = 12 weightage)

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

15. Capital structure of Zion Ltd. consists of the following.

Equity shares of Rs.100 each	20,00,000
Retained earnings	10,00,000
9% Preference shares	12,00,000
7% Debentures	8,00,000
Total	50,00,000

The company earns 12% on its capital. The income tax rate is 50%. The company requires a sum of 25,00,000 to finance its expansion programme, for which the following alternatives are available:

a) Issue of 20,000 equity shares at a premium of Rs.25 per share.

b) Issue of 10% preference shares.

c) Issue of 8% debentures.

It is estimated that the P/E ratios in the cases of equity, preference and debentures financing would be 21.4, 17 and 15.7 respectively. Which of the three financing alternatives would you recommend and explain the reasons.

16. Dona Ltd. is considering the possibility of purchasing a multipurpose machine which cost Rs.10,00,000. The machine has an expected life of 5 years. The machine generates Rs.6,00,000 per year before depreciation and tax, and the management wishes to dispose of the machine at the end of 5^{th} year which will fetch Rs.1,50,000. The depreciation allowable for the machine is 25% on WDV and the tax rate is 50%. The company approached one NBFC for a five year lease for financing the asset which quoted a rate of Rs.28 per thousand per month. The company wants you to evaluate the proposal with purchase option. The cost of capital of the company is 12% and for the lease option it want you to consider a discount rate of 16%. Tax effect of loss on sale is to be ignored.

17. Define merger. Explain briefly its types and procedures.

18. Discuss the importance of corporate restructuring strategies.

(2 × 5 = 10 weightage)