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Total Number of Pages: 3

MBA
15MNG402B

**4TH SEMESTER REGULAR EXAMINATION, 2016-17
STRATEGIC FINANCIAL MANAGEMENT (SFM)**

Branch: MBA

Time: 3 Hours

Max marks: 100

Q.CODE:Z922

Answer Question No.1 and 2 which is compulsory and any four from the rest.

The figures in the right hand margin indicate marks.

- Q1** **Answer the following questions:** **(2 x 10)**
- a) 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.
 - b) Shareholders wealth increases with the increase in ____
 - a) EPS
 - b) Market value of the firm
 - c) Dividend & market value of the firm
 - d) Market price of the equity share
 - c) 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
 - d) The _____ is defined as the present value of all cash proceeds to the investor in the stock.
 - a) Dividend payout ratio
 - b) Intrinsic value
 - c) Market capitalization rate
 - d) Plowback ratio
 - e) Market price per share of a firm having equity capital of Rs. 100000 consisting of shares of Rs. 10 each, profit after tax of Rs. 82000, & P/E ratio of 8 is
 - a) Rs. 65.70
 - b) Rs.10.25
 - c) Rs.65.60
 - d) Rs.1.025
 - f) Bonds that does not pay any interest rate are considered as
 - a) Interest free bond b) Zero coupon bond c) Price less coupon bond d) Useless price bonds

- g)** Duration which is divided by interest rate plus one is classified as
 - a) Decreased duration b) Increase duration c) Modified duration d) At par duration
- h)** Which of the following is typically the most important economy or synergy which is sought from Mergers and Acquisitions activity?
 - a) Economies of scope from applying existing resources to new uses, at little additional cost
 - b) Revenue and Marketing synergies from new, enhanced, or more efficient distribution
 - c) Economies of scale effect from organizational learning
 - d) Economies of scale from doing away with duplication of function between the two firms
- i)** Which of the following would be a legitimate stated reason for an acquisition?
 - a) The acquisition of critical mass
 - b) Hubris
 - c) Empire building
 - d) The acquisition of monopoly
- j)** _____ is equal to (common shareholders' equity/common shares outstanding).
 - a) Book value per share
 - b) Liquidation value per share
 - c) Market value per share

- Q2** Answer the following questions: **(2x10)**
- a)** What are the two broad categories of strategic decisions that are normally made by finance managers in an organization?
 - b)** What makes an organization financially sustainable?
 - c)** What are the variables required to find SGR?
 - d)** What do you mean by price-yield curve? What important points does the price-yield curve bring out?
 - e)** Why it is beneficial for a firm with risky cash flows to issue convertible bonds?
 - f)** What do you mean by concentric merger and conglomerate merger?
 - g)** What reasons motivate specifically international mergers?
 - h)** What are the key questions based on which the negotiation plan of an M&A deal is developed?
 - i)** What are the key guiding principles for successful post merger integration?
 - j)** What do you mean by spinoffs? What are the reasons for spinoffs?
- Q3** Compare and contrast corporate level, business unit level and functional level strategy. State and explain the different dimensions of strategic management and financial policy interface. **(7+8)**
- Q4** With what does SFM deal with? Discuss in detail the nature, scope and functions of SFM. **(15)**
- Q5** Explain the factors that motivate mergers.State and explain the suitable representatives of the methods based on assets which are commonly applied **(7+8)**

where the target company operates with loss.

- Q6** What are the key guiding principles for successful post merger integration? (15)
Point out the major post merger integration steps that add value to mergers and acquisitions.
- Q7** Compare and contrast corporate refinancing and corporate debt restructuring. (7+8)
Why do organizations downsize? What critical questions the management must confront in every downsizing programme?
- Q8** A firm has a total capital base of Rs 1000 with the following composition: (15)
Equity capital : 50 equity shares of Rs 10 Each : Rs 500
10 percent Debentures : Rs 500

The cost of equity is 14 % and the corporate tax rate is 40%.

The cash payable to the debenture holders and the equity dividend for the next 5 years would be as follows:

1 st Year	300
2 nd Year	200
3 rd year	500
4 th Year	150
5 th Year	600

Compute the value of the firm and valuation from the perspectives of equity shareholders.