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Total Number of Pages : 02

MBA  
15MNG307B

3<sup>rd</sup> Semester Regular / Back Examination 2018-19  
STRATEGIC FINANCIAL MANAGEMENT (SFM)

BRANCH : MBA

Time : 3 Hours

Max Marks : 100

Q.CODE : E580

Answer Question No.1 (Part-1) which is compulsory, any EIGHT from Part-II and any TWO from Part-III.

The figures in the right hand margin indicate marks.

Part- I

Q1 Short Answer Type Questions (Answer All-10) (2 x 10)

- a) Write two activities that are not called "Corporate Restructuring"
- b) What is buyback of shares? Why companies re-purchase its own share?
- c) What is Value chain analysis?
- d) What is reverse-engineering?
- e) What are the tools used in Financial Engineering?
- f) What do you mean by absolute control over a company in acquisition?
- g) What is a special purpose vehicle?
- h) What is kaizen? Write down its utilization.
- i) Why companies go for international merger and acquisition?
- j) Write down two limitations of balance scorecard.

Part- II

Q2 Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve) (6 x 8)

- a) Explain the different types of corporate strategies.
- b) Discuss the different types of bond yield.
- c) Explain the motives behind merger.
- d) What is a friendly takeover? Discuss the objectives of takeover
- e) What are the different types of due diligence? Discuss
- f) Explain the pre bid and post bid takeovers.
- g) What is MBO? Explain the characteristics and types of MBO.
- h) What are the objectives of corporate restructuring?
- i) What is divestiture? Discuss the methods of divestiture.
- j) What are refinancing and Rescue financing? Explain.
- k) Mention some benefits of downsizing.
- l) Discuss the advantages and disadvantages of Spin-off.

Part-III

Long Answer Type Questions (Answer Any Two out of Four)

**Q3** What do you understand by the term “Leverage buyout”? Explain the steps in it with suitable example. **(16)**

**Q4** Discuss various reasons why M&A fail? **(16)**

**Q5** XYZ Ltd is intending to acquire ABC Ltd. by merger and the following information is available in respect of the companies : **(16)**

Particulars	XYZ Ltd	ABC Ltd
No. of Equity shares	5,00,000	3,00,000
Earnings after Tax (Rs.)	25,00,000	9,00,000
Market value per share (Rs.)	21	14

- a) What is the EPS of both the companies?
- b) If the proposed merger takes place, what would be the new EPS for XYZ Ltd (assuming that the merger takes place by exchange of equity shares and the exchange ratio is based on the current market prices)
- c) What would be the exchange ratio, ABC Ltd want to ensure the same earnings to members as before the merger takes place?

**Q6** R Ltd is having an issued and subscribed capital of 50,000 equity shares of Rs 100 each fully paid up. The company’s after tax profits for the year 2017-18 is amounting to Rs30 lakhs. The average present stock exchange price of the company’s share is Rs 190. The PE ratio of the four listed companies to be used for calculation, their types of business seems to be similar are **(16)**

Company	2015-16	2016-17	2017-18
A Ltd	5.7	6.3	7.1
B Ltd	6.5	5.9	6.8
C Ltd	7.4	6.8	7.0
D Ltd	5.0	5.9	6.1

Calculate the valuation of business and per share based on average P/E ratio of the industry.