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GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER (3) - EXAMINATION - SUMMER - 2019

Subject Code: 3539221 Date:08/05/2019

Subject Name: Strategic Financial Management (SFM)

Time: 02:30 PM TO 05:30 PM Total Marks: 70

Instructions:

Seat No.:

1. Attempt all questions.

- 2. Make suitable assumptions wherever necessary.
- 3. Figures to the right indicate full marks.
- **Q.1** Explain the terms in brief with examples:

14

07

- (a) MM Approach in Capital Structure
- (b) Financial Restructuring
- (c) Economic Value Added
- (d) Break even Analysis
- (e) Financial Leverage
- (f) Strategic Financial Management
- (g) Earnings per share
- Q.2 (a) What is Feasibility Study? If Apple wants to start new project in Gujarat then which components you study under your Feasibility Report?
 - (b) Asfa products limited is considering a proposal of whether to invest in a project would need an immediate expenditure on capital equipment of Rs 40000. The projected sales from the project has been estimated as under:

T J								
Sales	2000	6000	8000	10000	14000			
Volume		2						
(units)		00						
Probability	0.10	0.30	0.30	0.20	0.10			

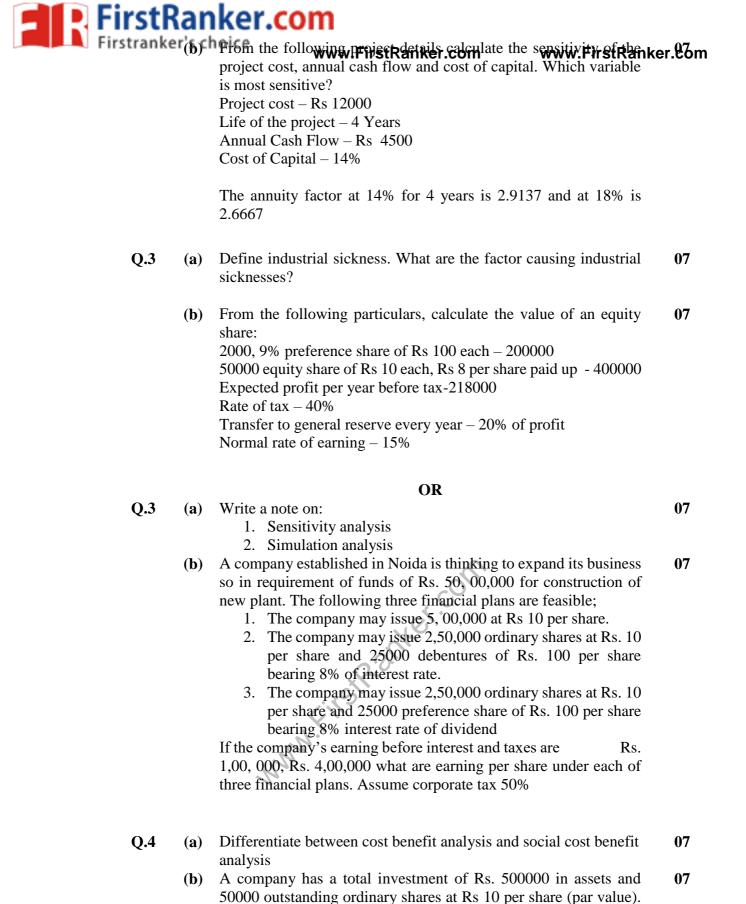
The unit selling price will be Rs 12, the unit variable cost will be Rs 8. There will be additional fixed cost of Rs. 20000. The project will have a life of 6 years after which equipment could be sold for scrap at a price of Rs 3000.

You are required to calculate:

- 1. Expected value of NPV of the project
- 2. Minimum volume of sales per annum required to justify the project

The cost of capital is 10%.

OR



retaining 50% of the earnings.

the price of its share using Gordon model

It earns a rate of 15% on its investments and has a policy of

If the appropriate discount rate of the firm is 10%. Determining



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		OR	
Q.4	(a)	Explain various micro and macro environmental factors affects	07
		the strategic financial planning	
	(b)	The installed capacity of a factory is 6000 units. Actual capacity used is 4000 units. Selling price per unit is Rs 10, variable cost is	07
		Rs 6. Calculate leverage in each of above situations:	
		 When fixed cost are 4000 When fixed cost are 10000 	
0.5		3. When fixed cost are 12000 CASE STUDY:	
Q.5		ABC limited is considering merger with XYZ limited. ABC ltd	
		shares are currently traded at Rs 25. It has 2000000 shares	
		outstanding and it's earning after taxes amount to Rs 400000. XYZ	
		ltd has 100000 shares outstanding, its current market price is Rs	
		12.50 and its earnings after tax are Rs 100000. The merger will be	
		affected by means of stock swap. XYZ ltd has agreed to a plan	
		under which ABC ltd will offer the current market value of XYZ	
		ltd shares.	
	(a)	What is pre-merger EPS and P/E ratio of both the companies and	07
	(u)	what is the exchange ratio?	07
	(b)	If XYZ ltd.'s P/E ratio is 8, what is the current market price?	07
		What will be post- merger EPS of ABC ltd.	
		OR	
Q.5	(a)	What must the exchange ratio be for ABC ltd.'s pre-merger and	07
	(l -)	post-merger EPS to be the same?	07
	(b)	XYZ ltd.'s P/E ratio is 10 and 6, what is its current market price on both the values.	07
		on both the values.	

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