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## Code No: MB163H/R16

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### MBA III Semester Regular Examination, Nov-2017

### STRATEGIC FINANCIAL MANAGEMENT

Time: 3 Hours Max. Marl					
Answer Any FIVE Questions					
		All Questions Carry Equal Marks			
		Question No. 8 is Compulsory	_		
1.	a	What is Strategic Planning? And explain the constraints of strategic planning.	6M		
	b	What is Market Value Added? And explain its silent features.	6M		
2.	a	What are the various financing options that are followed in finding a good capital structure?	6M		
	b	The following information is available for S Ltd. Company. Earnings per share - Rs. 20 Dividend payout ratio - 50%	6M		
		Perce Earning ratio – 10			
		Internal rate of return $-15\%$			
		Determine share price using Walter's model and give optimal dividend policy to the company.			
3.	a	How do you evaluate decisions relating to leasing or buying alternatives?	6M		

- b Discuss the process of evaluating leasing from the lessor's perspective.
- 4. Large company is acquiring small company on a share exchange basis. Their selected 12M data are as follows:

5	Large company	Small company				
Profit after tax (Rs. In lakhs)	56	21				
Number of share (lakhs)	10	8.4				
Earnings per share (Rs.)	5.6	2.5				
Price – earnings ratio	12.5	7.5				

Determine:

- a. Pre-merger market value per share.
- b. The maximum exchange ratio large company should offer without the dilution of (i) EPS (ii) Market value per share.
- 5. a What is a takeover strategy? State SEBI guidelines with regard to takeovers. 6M
  - b Explain the characteristics of corporate restructuring.

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6.	a	Explain the Long term investment plan analysis with risk and return.	6M
	b	Critically explain Gordon's relevance theory of dividends.	6M
7.		Explain the Merge and Dilution Effect on Earnings Per Share. What is capital rationing? And explain its uses to a finance manager.	6M 6M

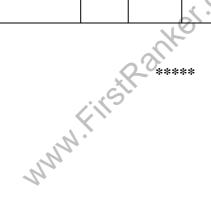
## 8. Case Study

Determine the risk adjusted NPV of following projects.

	Х	Y	Z
Net cash outlays (Rs.)	100000	120000	210000
Project life	5 years	5 years	5 years
Annual cash inflows (Rs.)	30000	42000	70000
Co-efficient of variation	0.4	0.8	1.2

The company selects the risk adjusted rate of discount on the basis of coefficient of variation.

Co-efficient of variation:	0.0	0.4	0.8	1.2	1.6	2.0	Above
			-	0			2.0
Risk adjusted rate of	10%	12%	14%	16%	18%	22%	25%
discount :			x.				



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