Code No: MB163H/R16

MBA III Semester Regular Examination, Nov-2017

STRATEGIC FINANCIAL MANAGEMENT

Time: 3 Hours **Max. Marks: 60**

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. 6M
   Earnings per share – Rs. 20
   Dividend payout ratio – 50%
   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. 6M

4. Large company is acquiring small company on a share exchange basis. Their selected data are as follows: 12M

	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. 6M

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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. a Explain the Merge and Dilution Effect on Earnings Per Share. 6M
   b What is capital rationing? And explain its uses to a finance manager. 6M

8. **Case Study** 12 M

Determine the risk adjusted NPV of following projects.

	X	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 2.0
Risk adjusted rate of discount :	10%	12%	14%	16%	18%	22%	25%

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