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PGIIIS-N-1714 B-17

M.F.C. III Semester (CBCS) Degree Examination

COMMERCE

(Strategic Financial Management)

Paper : 304

(New)

Time : 3 Hours | Maximum Marks : 80

SECTION-A

1. Answer the following questions. Each question carries **2** marks. **(5×2=10)**

   a) What do you mean by value enhancement?

   b) Define EVA.

   c) What do you understand by leveraged buyout?

   d) What do you mean by spinoffs?

   e) What do you mean by market value addition?

SECTION-B

Answer any **Three** questions. Each question carries **5** marks. **(3×5=15)**

2. What is strategic planning process? Explain the strategic financial plan.

3. What do you mean by value creation? How DCF techniques help us to understand value creation.

4. What do you mean by mergers and acquisitions? Explain the steps involved in acquisition process.

5. What do you mean by buybacks? When a company can opt for buy-back of equity shares?

6. What are the measures of value addition? How do you measure the market value added?

SECTION-C

Answer any **Three** questions. Each question carries 15 marks. **(3×15=45)**

7. How do you determine value added by merger? What are the methods available of determining the firm's value?

8. Discuss in detail the concept of enterprise value added in measuring value addition.

9. Briefly explain the conditions of disinvestment in the company.

10. Define financial policy. Explain the different types of financial models.

11. Define takeover. Explain the regulations of takeovers in India.

SECTION-D

Case Study

12. Analyse the following case and answer the questions mention below : **(1×10=10)**

In considering the most appropriate capital structure for the NOID Manufactures Ltd (NML), its finance department has made estimates of the interest rate on debt and the cost of equity capital at various levels of debt-equity mix summarised below:

Debt equity mix (leverage)	Coupon rate (%)	Cost of equity (%)
0	8	12.0
10	8	12.0
20	9	12.5
30	9	13.5
40	10	14.5
50	13	16.0
60	15	20.0
70	18	25.0

The debt is in the form of 10-year redeemable at par ₹ 1,000 debentures with coupon rates varying with the equity-debt ratio and 5 per cent flotation cost. As a matter of policy, NML always keeps 10 percent of its finances in the form of preference shares carrying 2 percent extra return compared to the debenture coupon rates. The duration and the flotation costs are similar to debentures.

Required Assuming :

i) 17.5 percent dividend distribution tax and

ii) corporate tax rate, 35 percent, determine the optimal capitai structure (debt-equity mix) for the NML.