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Sl.No.

Total No. of Pages : 3

IV Semester M.B.A. Examination, May - 2017

Scheme : 2011

BUSINESS ADMINISTRATION

Elective : 4 FM : Financial Strategies

Time : 3 Hours

Max. Marks : 75

SECTION - A

Answer all questions. Each question carries 6 marks.

[5 × 6 = 30]

1. List and explain the assumptions of an ideal capital market.
2. How do macroeconomic factors cause financial distress?
3. Briefly outline the stages of 'venture' development.
4. Give Indian examples of vertical, Horizontal and conglomerate business.
5. How does a Merchant banker facilitate public issue of equity shares?

SECTION - B

Answer any three questions. Each question carries ten marks.

[3 × 10 = 30]

6. India pharma wishes to acquire deccan pharma.

	Equity shares	Share price	EAT	EPS
India Pharma	30,00,000	50	40,00,000	3
Deccan Pharma	5,00,000	20	6,00,000	1.5

India pharma is having 3 options for acquisition plan

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- i) Pay Rs 30/ share for each target share
- ii) Exchange Rs 35 cash and one share of India pharma for every 5 share of Deccan pharma
- iii) Exchange 1 share of every 3 shares of Deccan pharma
 - a) Calculate EPS under different plans
 - b) If PE ratio remains unchanged, calculate share prices of India pharma under each of the plans.

7. Explain the process of IPO.

8. Explain in detail the stages in dividend declaration process. why do some cash rich companies do not declare dividend? Explain signalling.

9. Do all Mergers and acquisitions create synergies? Justify your answer with examples of successful and failed M&A.

10. Explain the following.

- a) Market making
- b) Under writing
- c) Tender offer
- d) Dutch auction

SECTION - C

(Compulsory)

[15]

11. Federrer Courier Company (FCC) is analysing the possible acquisition of Tej Restaurant Company (TRC). Neither firm has debt. The forecasts FCC shows that the purchase would increase its annual after-tax cash flow by ₹. 8,00,000 indefinitely. The current market value of Tej company is ₹. 35 million and that of Federrer company is ₹. 35 million. The appropriate discount rate for the incremental cash flow is 8 percent.

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- a) What is the synergy from the merger?
- b) What is the value of TRC to FCC? Federrer company is trying to decidewhe ther it should offer 25% of its stock of ₹. 15 million in cash to Tej company.
- c) What is the cost to FC co' of each alternative
- d) What is the NPV of FCC of each alternative?



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