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 **M-4780**

Sl.No.

Total No. of Pages : 2

**IV Semester M.Com. Examination, Sep./Oct. 2020
(Scheme:CBCS)
COMMERCE**

**Elective Group C: Financial Management (Paper-II)
SC: Strategic Financial Decision**

Time : 3 Hours

Max. Marks : 70

Instruction: Answer all parts.

PART-A

Answer any five of the following questions. Each question carries five marks.

[5×5=25]

- Q1)** Briefly explain the process of Strategic planning.
- Q2)** Briefly explain the components of Financial Strategy.
- Q3)** What are the motives behind the Corporate Restructuring?
- Q4)** Define Swap Ratio. How do you compute it?
- Q5)** Write a short note on
a) Deep Discount Bonds.
b) Secured Premium Notes.
- Q6)** Briefly explain the Non-Convertible Securities.
- Q7)** What do you mean by beta risk?
- Q8)** Difference between systematic risk and unsystematic risk.

PART-B

Answer any three of the following questions. Each question carries ten marks.

[3×10=30]

- Q9)** What do you mean by financial strategy? Explain its Goals and Objectives.
- Q10)** "Merger has been symbolic with conflict, dislocation and economic and financial pain or gain." Comment.

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Q11) Discuss various forms of corporate restructuring.

Q12) The following information for ABC Co. and XYZ Co. Determine the minimum Swap ratio if PE ratio for combined firm is 3, 9, 10, 11, 12, 15 and 20.

Particulars	ABC Co. (Rs.)	XYZ Co. (Rs.)
Market price per share-P	12	4
Earnings per share-EPS	1	0.5
Price/earnings ratio-PE (Times)	6	4
Total earnings-E	90,00,000	30,00,000
No. of outstanding equity shares-S	45,00,000	30,00,000

Q13) Define Risk Management. Discuss the functions of Risk Management.

PART-C

Case Study (Compulsory)

[1×15=15]

Q14) The following are the projected cash flows to equity and to the firm over the next five years: (Values in Lakhs)

Year	CF to equity	Int (1-t)	CF to firm
1	Rs.500.00	Rs. 180.00	Rs. 680
2	Rs.525.00	Rs.189.00	Rs.714
3	Rs. 551.26	Rs.198.46	Rs.749.70
4	Rs.578.82	Rs. 208.38	Rs. 787.18
5	Rs.607.76	Rs. 218.80	Rs. 826.54

Terminal Value Rs. 7,893.00

Rs.12,000.00

(The Terminal Value is the Value of the equity or firm at the end of the year 5)

The firm has a cost of equity of 12% and a cost of capital of 9.94%.

Answer the following question.

- a) What is the value of the equity in this firm?
- b) What is the value of the firm?



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