

Reg. No. _____ Name _____

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY
SIXTH TRIMESTER MBA DEGREE EXAMINATION, JUNE 2018

FIN-T6-13 STRATEGIC FINANCIAL MANAGEMENT

Max. Marks: 60

Duration: 3 Hours

PART A

Answer all questions. Each question carries two marks.

Write Short Note on:

1. Strategic Financial Management and its Functions.
2. Types of corporate Risk.
3. Uses of Financial Analysis.
4. Purposes of Corporate Restructuring.
5. Leveraged Buyout.

(5 x 2 marks = 10 marks)

PART B

Answer any three questions. Each question carries ten marks.

6. Explain briefly the different methods of project evaluation under risk and uncertainty in capital budgeting.
7. Suggest any two expansion strategies which are suitable for the business development of a company engaged in the manufacture of Cars in India.
8. The summarized Balance Sheet of X Ltd. is as follows:

Liabilities	2016 (Rs.)	2017 (Rs.)	Assets	2016 (Rs.)	2017 (Rs.)
Share capital	6,00,000	8,00,000	Plant and Machinery at cost	4,00,000	6,45,000
Debentures	2,00,000	3,00,000	Land and Building at cost	3,00,000	4,00,000
P&L A/C	1,25,000	2,50,000	Stock	3,00,000	3,50,000
Creditors	1,15,000	90,000	Bank	20,000	40,000
Provision for bad and doubtful debts	6,000	3,000	Preliminary expenses	7,000	6,000
Provision for Depreciation on Land and building	20,000	24,000	Debtors	69,000	61,000
Provision for Depreciation on Plant and Machinery	30,000	35,000			
Total	10,96,000	15,02,000	Total	10,96,000	15,02,000

Additional information

- a. During the year a part of machinery costing Rs.70,000 (Accumulated depreciation Rs.2,000) was sold for Rs.6,000.
- b. Dividend of Rs.50,000 were paid during the year.

Prepare Schedule of Changes in Working Capital and Fund Flow Statement. Also prepare necessary accounts required for preparing the above.

9. Critically evaluate the role of Franchises for business expansion with the help of an example.

10. a. Comment on the use of ratios as a tool for evaluating the performance of a company.

- b. Explain how a corporate merger proposal can be evaluated.

(3 x 10 marks = 30 marks)

PART C***Compulsory Question. The question carries twenty marks.***

11.

- a. A Ltd., a company based at Chennai, engaged in the manufacture of Electronic goods plans to acquire X Ltd., an online marketing company based at Bangalore. Explain briefly the different methods of determining the value of the firm? (10)

- b. The following details are relating to X Ltd. and Y Ltd., X Ltd. plans to acquire Y Ltd.

Particulars	X Ltd.	Y Ltd.
Earnings After Tax (Rs. In Lakhs)	2,000	4,000
Number of shares (Lakhs)	200	1,000
P/E Ratio (No. of times)	10	5

You are required to calculate:

- i. EPS of both the companies before acquisition.
- ii. The swap ratio based on current market price.
- iii. EPS of X Ltd. After acquisition.
- iv. The expected market price per share of X Ltd. after acquisition, if the P/E ratio is decreased by 10 per cent.
- v. Market value of the merged company (X Ltd. after acquisition)

(10)
