Reg. No .... Name **23P2036**

M. COM DEGREE END SEMESTER EXAMINATION : MARCH 2023

SEMESTER 2 : COMMERCE

COURSE : **21P2COMT08 : STRATEGIC FINANCIAL MANAGEMENT**

(For Regular - 2022 Admission and Supplementary - 2021 Admission)

Duration : Three Hours Max. Weights: 30

PART A

Answer any 8 questions **Weight: 1**

1. What do you mean by Cost-benefit analysis? (U, CO 1)
2. What do you mean by Cost Effectiveness Analysis? (U, CO 1)
3. What do you mean by real estate leasing? (U, CO 1)
4. Expand TDICI. (U, CO 1)
5. What do you mean by buyout financing ? (U, CO 1)
6. What do you mean by Operating financial plans? (An, CO 3)
7. Explain the strategy of ‘golden handshake ‘ (U, CO 1)
8. What do you mean by Hire purchase? (U, CO 1)
9. What do you mean by cost driver? (U, CO 1)
10. Distinguish between merger and reverse merger. (U, CO 1)

(1 x 8 = 8)

PART B

Answer any 6 questions **Weights: 2**

11. What are the problems for venture capitalist in India? (An, CO 5)
12. Give notes on lease risk management by lessor (An, CO 5)
13. What are equity and distribution implication under cost benefit analysis? (U, CO 1)
14. What do you mean by early stage financing? (An)
15. Explain the importance of strategic financial management (U, CO 1)
16. Which companies are lucrative targets for Leveraged Buy Out acquisition? (U, CO 1)
17. What are the constraints to corporate restructuring (An, CO 3)
18. Explain the factors affecting a financial plan? (U, CO 1)

(2 x 6 = 12)

PART C

Answer any 2 questions **Weights: 5**

19. Explain the reasons for divestiture and what are its advantages and disadvantages (An, CO 5)
20. Modern Outlook Limited, a small manufacturing firm, is considering the acquisition of the use of a machine. After evaluating equipments offered by seven different manufacturers, it has come to the conclusion that “Z” was the most suitable machine for its needs.. Consequently, it has asked the manufacturers sales personnel to provide information on alternative financing plans available through their financing subsidiary. The subsidiary presented the two alternatives. (A, CO 6)
    Alternative 1 was to lease the “Z” equipment for 7 years, which was the machines expected useful life. The annual lease payments would be Rs. 14700 and would include service and maintainance. Lease payments would be due at the beginning of the year. Lease payments would be fully tax deductable.
    Alternative 2 would be to purchase the “Z” equipment through 100 per cent loan from the financing subsidiary. The cost of the machine is Rs. 50,000. It would make seven annual payments of Rs. 9935 each to repay the loan of Rs. 50,000. Payments

would be at the end of the year.
The MOLs marginal tax rate is 44%. It has estimated that the equipment has an expected salvage value of Rs. 1000. The company plans to depreciate the equipment by using straight line method. The service and maintainance would cost Rs 3700 annually
You are required to advice MOL on the desirability of alternative plans, assuming that the rate of interest is 9 per cent p.a.
The relevant PV are:

Year	0	1	2	3	4	5	6	7
PVF	1.00	.952	.907	.864	.823	.784	.746	.711

21. Explain the contemporary issues in strategic financial management? (E, CO 3)

22. Your company is considering to acquire an additional computer to supplement its time share computer servicesto its clients, it has two options:
i) To purchase the computer for 22 lakhs
ii) To lease the computer for 3 years from a leasing company for Rs. 5 lakhs as annual lease rent plus 10% of gross time share service revenue. The agreement also requires An additional payment of Rs. 6 lakhs at the end of the third year. Lease rents are paid at the year end, and the computer reverts to the lessor after the contract period.
The company estimates that the computer under review will be worth Rs. 10 lakhs at the end of the third year. Forecast revenues are:

Year	1	2	3
Amount (Rs. Lakhs)	22.5	25	27.5

Annual operating cost excluding depreciation/lease rent of computer are estimated at Rs 9 lakhs with an additional Rs. 1 lakh for startup and training costs at the beginning of the first year. These costs are to be borne by the lessee, in case of lease agreement also. Your company will borrow at 16 % interest to finance the acquisition of computer. Repayments are to be made according to the following schedule: (Rs. in'000) (A, CO 6)

Year end	1	2	3
Principal	500	850	850
Interest	352	272	136

The company uses straight line method to depreciate its assets and pays 50 % tax on its income. The management approaches the company secretary for advice. Which alternative would be recommended and why?
The PV factor at 8% and 16% rates of discount are:

Year	1	2	3
8%	0.926	0.857	0.794
16%	0.862	0.743	0.641

(5 x 2 = 10)

OBE: Questions to Course Outcome Mapping

CO	Course Outcome Description	CL	Questions	Total Wt.
CO 1	Understand the application of Strategic Management concepts in finance area	U	1, 2, 3, 4, 5, 7, 8, 9, 10, 13, 15, 16, 18	17
CO 3	Evaluation of the cost-benefit analysis of various events in the business	An	6, 17, 21	8
CO 5	Evaluate and justify the reasons for taking a particular financial decision	E	11, 12, 19	9
CO 6	Familiarise with the different alternatives and its financial implications when confronting a problem.	E	20, 22	10

Cognitive Level (CL): Cr - CREATE; E - EVALUATE; An - ANALYZE; A - APPLY; U - UNDERSTAND; R - REMEMBER;