

Reg. No

M. COM DEGREE END SEMESTER EXAMINATION- APRIL 2026**SEMESTER 2 : COMMERCE****COURSE : 24P2COMT08 : STRATEGIC FINANCIAL MANAGEMENT***(For Regular 2025 Admission and Improvement/Supplementary 2024 Admission)*

Time : Three Hours

Max. Weights: 30

PART A**Answer any 8 questions****Weight: 1**

1. What do you mean by Trade sales? (U)
2. What is front loaded and back loaded lease? (U)
3. What do you mean by goals (E)
4. What is IRR? (U)
5. What is strategic risk management? (U)
6. What do you mean by big ticket lease? (U)
7. Explain white knight. (U)
8. What do you mean by Hands -off nurturing ? (An)
9. What do you mean by core competency? (U)
10. What are the common methods of divestiture? (U)

(1 x 8 = 8)**PART B****Answer any 6 questions****Weights: 2**

11. What are the problems encountered in conducting cost benefit analysis? (A)
12. Critically examine whether operating or financial lease is beneficial to lessor (A)
13. Which companies are lucrative targets for Leveraged Buy Out acquisition? (U)
14. Explain the constraints to strategic financial management (A)
15. What is deal structuring? What are options for deal structuring? (E)
16. What are the components of strategic cost management? (E)
17. What are the attributes of a lease contract? (U)
18. What are the different exit options available in venture capital financing ? (E)

(2 x 6 = 12)**PART C****Answer any 2 questions****Weights: 5**

19. How does venture capital help in the growth and development of an enterprise? (An)
20. DLP Pvt Ltd is considering the possibility of purchasing a multipurpose machine which cost Rs. 10.00 lakhs. The machine has an expected life of 5 years. The machine generates Rs. 6.00 lakhs per year before depreciation and tax, and the management wishes to dispose the machine at the end of 5 years which will fetch Rs. 1.00 lakh. The depreciation allowable on the machine is 25% on written down value and the corporate tax rate is 50%.

The company approached a NBFC for a five year lease for financing the asset which quoted a rate of Rs. 28 per thousand per month. The company wants you to evaluate the proposal with purchase option. The cost of capital of the company is 12% and for lease option it wants you to consider a discount rate of 16%.

(A)

	0	1	2	3	4	5
PV @ 12%	1.000	0.893	0.797	0.712	0.636	0.567
PV @ 16%	1.000	0.862	0.743	0.641	0.552	0.476

21. Following are the financial statements for A Ltd for the current financial year. Both the firms operate in the same industry:

(A)

Balance Sheets

Particulars	A Ltd	B Ltd
Total current assets	14,00,000	10,00,000
Total fixed assets (net)	10,00,000	5,00,000
	24,00,000	15,00,000
Equity capital (of Rs.10 each)	10,00,000	8,00,000
Retained earnings	2,00,000	
14% long term debt	5,00,000	3,00,000
Total current liabilities	7,00,000	4,00,000
	24,00,000	15,00,000

Income Statements

Particulars	A Ltd	B Ltd
Net Sales	34,50,000	17,00,000
Cost of goods sold	27,60,000	13,60,000
Gross profit	6,90,000	3,40,000
Operating expenses	2,00,000	1,00,000
Interest	70,000	42,000
Earnings before taxes	4,20,000	1,98,000
Taxes (50%)	2,10,000	99,000
Earnings after taxes (EAT)	2,10,000	99,000

Additional information:

Particulars	A Ltd	B Ltd
Number of equity shares	1,00,000	80,000
Dividend payment ratio(D/P)	40%	60%
Market price per share (MPS)	Rs.40	Rs.15

Assume that the two firms are in the process of negotiating a merger through an exchange of equity shares. You have been asked to assist in establishing equitable exchange terms, and are required to-

- i) decompose the share prices of both the companies into EPS and P/E components, and also segregate their EPS figures into return on equity (ROE) and book value/intrinsic value per share (BVPS) components.
- ii) Estimate future EPS growth rates for each firm.
- iii) Based on expected operating synergies, A Ltd, estimates that the intrinsic value of B's equity share would be Rs. 20 per share on its acquisition. You are required to develop a range of justifiable equity share exchange ratios that can be offered by A Ltd to B Ltd's shareholders. Based on your analysis in parts(i) and (ii) would you expect the negotiated terms to be closer to the upper , or the lower exchange ratio limits? Why?
- iv) Calculate the post merger EPS based on an exchange ratio of 0.4: 1 being offered by A Ltd. Indicate the immediate EPS accretion or dilution, if any, that will occur for each group of shareholders.
- v) Based on a 0.4:1 exchange ratio, and assuming that A's pre merger P/E ratio will continue after the merger, estimate the post merger market price. Show the resulting accretion or dilution in pre merger market prices.

22. Give your comments on the 'do nothing option' as an alternative in cost benefit analysis with the help of a case study.

(A)

(5 x 2 = 10)

OBE: Questions to Course Outcome Mapping

CO	Course Outcome Description	CL	Questions	Total Wt.
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Cognitive Level (CL): Cr - CREATE; E - EVALUATE; An - ANALYZE; A - APPLY; U - UNDERSTAND; R - REMEMBER;