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B.M.S. COLLEGE FOR WOMEN, AUTONOMOUS

BENGALURU – 560004

SEMESTER END EXAMINATION – SEPT/OCT 2023

M.Com – 4th Semester

STRATEGIC FINANCIAL MANAGEMENT

Course Code: MCM405FT **QP Code: 14022**

Duration: 3 Hours **Max. Marks: 70**

SECTION – A

1. Answer any SEVEN questions. Each question carries TWO marks. **(7X2=14)**

a. What are financial policies?
b. List out any two benefits of financial policies and procedures?
c. Give the meaning of sensitivity analysis?
d. What is Risk and Uncertainty
e. What is Convertible Debentures?
f. What is Peer-to-Peer Lending?
g. What do you mean by hostile takeover?
h. What is Divestitures?
i. Define incubation centre
j. Who is lessor?

SECTION – B

Answer any FOUR questions. Each question carries FIVE marks. **(4X5=20)**

2. Explain the steps in the strategic planning process?

3. Discuss any 5 types of financial models?

4. From the following information of two project, you are required to state which project is riskier & why?

Possible situation	Project P	Project Q
Worst	18,300	-
Most Likely	24,300	24,300
Best	30,300	48,300

Each Project involves an initial cash outflow of ₹ 1,30,000. The project required rate of return is 12%, Project life period is 10 years.

Present value for 10 years at 12% is 5.650

5. Compute Share Exchange ratio using EPS from the Following data

Particulars	XYZ Acquired Company	ABC Target firm
Earning after Tax	25,00,000	9,00,000
No. of equity shares	5,00,000	3,00,000

Also compute Post merger EPS

5. There are two Projects X & Y for consideration each requires initial investment of ₹ 40,000. The estimated cash inflow and certainty coefficient is given below

Years	Estimated Cash Flows -X	Certainty Co-Efficient	Estimated Cash Flows -Y	Certainty Co-Efficient
1	25000	0.8	20,000	0.9
2	20,000	0.7	30,000	0.8
3	20,000	0.9	20,000	0.7

The risk free cut rate is 10% for the firm. Suggest which project is preferable for investment

6. Discuss various types of Leasing?

SECTION – C

Answer any TWO questions. Each question carries TWELVE marks. (2X12=24)

8. A Ltd. Wants to take over B ltd. And the financial details of both the companies are below.

Particulars	A Ltd. ₹	B Ltd. ₹
Equity share capital of ₹ 10 each	2,00,000	1,00,000
Preference share capital	40,000	-
Share premium	-	4,000
Profit & Loss a/c	76,000	8,000
10% Debentures	30,000	10,000
Total liabilities	**3,46,000**	**1,22,000**
Fixed Assets	2,44,000	70,000
Current Assets	1,02,000	52,000
Total assets	**3,46,000**	**1,22,000**
Profit After Tax & Preference dividend	48,000	30,000
Market Price Per share	24	27

You are required to determine the share exchange ratio to be offered to the shareholders of B Ltd. Based on

i. Net asset value
ii. Earnings Per share

iii. Market Price

Which should be preferred from the point of view of A LTD.?

9. A company is considering two investments A & B each costing ₹ 1,00,000 the expected cash flows for 4 years are given below

Year	Cashflow for A	Cashflow for B
1	40,000	50,000
2	35,000	40,000
3	25,000	30,000
4	20,000	30,000

The company target return is 10%, the risk premium rate is 2% & 8% respectively, which of the project is preferable using risk adjusted discount rate method.

10. What are Hybrid Securities? What are the types of hybrid securities? What are the advantages of hybrid securities?

11. Elaborate the different financing sources available to a venture?

SECTION – D

(Compulsory Skill-based Question) (1X12=12)

12. The Delta Corporation is considering an investment in one of the two mutually exclusive proposals. Project A which involves an initial outlay of ₹ 1,70,000 and project B which has an outlay of ₹ 1,50,000. The certainty equivalent approach is employed in evaluating risky investments. The current yield on treasury bills is 0.05 and the company uses this as the risk less rate. The expected values of net cash flows with their respective certainty equivalents are

Project A		**Project B**	
Cash flow (in 1000's)	Certainty equivalent	Cash flow (in 1000's)	Certainty equivalent
90	0.8	90	0.9
100	0.7	90	0.8
110	0.5	100	0.6

i) Which project should be acceptable to the company?
ii) Which project is risker? How do you know?
iii) If the company has to use the risk adjusted discount rate method, which project would be analysed with higher rate?

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