

IV Semester M.Com.(FA) Examination, June/July 2018  
(CBCS)

Paper – 4.4 : STRATEGIC FINANCIAL MANAGEMENT

Time : 3 Hours

Max. Marks : 70

**Instruction :** Answer *all* the questions.

SECTION – A

Answer **any seven** questions out of ten. **Each** question carries **two** marks. (7×2=14)

1. a) Define strategic financial management.
- b) What is venture capital ?
- c) What do you mean by Crowd Source Funding ?
- d) What is economic value added ?
- e) Define corporate governance.
- f) What is risk management ?
- g) What is Neo-generic strategy ?
- h) What is Merger ?
- i) State any two advantages of internal re-construction.
- j) Mention key significances of internal control.

SECTION – B

Answer **any four** questions out of six. **Each** question carries **five** marks. (4×5=20)

2. Differentiate between acquisition and takeover.
3. Explain the concept and features of agency theory.
4. Write a short note on margin money.



5. What are the challenges in managing product life cycle effectively ?
6. i) Calculate the market sensitivity index and expected return on the portfolio from the following data :
- Standard deviation of an asset – 2.5%
- Market standard deviation – 2.0%
- Risk-free rate of return – 13.0%
- Expected return on Market portfolio – 15.0%
- Correlation co-efficient of portfolio with market – 0.8
- ii) What will be the expected return on the portfolio if portfolio beta is 0.5 and the risk-free rate of return is 10% ?
7. Sunny Ltd. is studying the possible acquisition of Rainy Ltd. and the following information is available.

	Sunny Ltd.	Rainy Ltd.
Profit after tax	₹ 3,00,000	₹ 75,000
Equity shares outstanding	50,000	10,000
P/E Multiple	3	2

If the merger takes place by exchange of equity shares based on market price. What is the EPS of the new firm ?

### SECTION – C

Answer **any three** questions out of five. **Each** question carries **twelve** marks. (3×12=36)

8. “Promoters contribution is one of the principal means of financing the project”. Discuss the statement.
9. Discuss the approaches to corporate valuation.
10. Elaborate the dynamics of strategic financial management.





11. Following is the Balance Sheet of Bharath Steel work Ltd. as on 31-Mar.- 2016.

Liabilities	₹ (000)	(Assets)	₹ (000)
Share capital	2,400	Fixed assets	
Profit and Loss A/c	160	(Less depreciation)	1,000
Sundry creditors	500	Stock	900
		Sundry debtors	500
		Cash and bank balance	660
	<b>3,060</b>		<b>3,060</b>

The management makes the following estimates for the year ending 31-Mar.- 2017.

Purchase upto Feb. 2017, ₹ 30,40,000 and during March – 2017 – ₹ 2,10,000.  
Sales upto Feb. – 2017 Rs. 44,80,000 and during March – 2017. ₹ 5,00,000.  
Management decides to invest ₹ 3,00,000 in purchases of fixed assets which are depreciated at 10%. The time lag for payment to creditors and receipts from debtors is one month. The business earns a gross profit of  $33\frac{1}{3}\%$  on turnover. Sundry expenses against gross profit will amount to 12% of the turnover excluding depreciation of fixed assets.

Prepare a proforma balance sheet of the company for the year ending 31-Mar.-2017.

12. Bring out the differences between commercial calculation and social cost benefit computations in project analysis with imaginary figures.

SECTION - B

- Answer any four questions out of the following. Each question carries five marks.
- Differentiate between acquisition and takeover.
  - Explain the concept and features of agency theory.
  - Write a short note on margin money.