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Reg. No. P 8 I W 2 3 C 0 12001

IV Semester M.Com. Degree Examination, August/September - 2025

COMMERCE

Strategic Financial Management (Finance & Banking)

(CBCS Scheme) (Elective)

Paper : 4.5

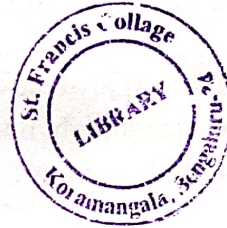
Time : 3 Hours

Maximum Marks : 70

SECTION - A

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

1. a) What is strategic planning process?
- b) What is Warrant?
- c) What is hybrid security?
- d) Write the meaning of deep discount bonds.
- e) What is Leveraged Buy-outs?
- f) What is high Technology Investment?
- g) What is a Risk Adjusted discount rate?
- h) Give the meaning of Scenario Analysis.
- i) Mention any two tools of financial modelling.
- j) Write the meaning of Buy back of shares. -



SECTION - B

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

2. MK Ltd. is considering acquiring NN Ltd. The following information is available

Company	Earnings after Tax (Rs.)	No. of Equity Shares	Market Value Per Share (Rs.)
MK Ltd.	60,00,000	12,00,000	200,00
NN Ltd.	18,00,000	3,00,000	160,00

Exchange of equity shares for acquisition is based on current market value as above

There is no synergy advantage available

- i) Find the earning per share for company MK Ltd. after merger, and
- ii) Find the exchange ratio so that shareholders of NN Ltd. would not be at a loss.

[P.T.O.]





3. XLtd. is considering a project with the following cashflow:

Year	Purchase of plant	Running cost	Savings
0	70,000	-	-
1	-	20,000	60,000
2	-	25,000	70,000

The cost of capital is 8% Measure the sensitivity of the project to changes in the level of running cost, savings and plant cost. Which factor is the most sensitive?

(The present values of Re.1 at 8% for year 1 and year 2 are respectively 0.9259 and 0.8573)

4. Briefly explain the types of Divestitures.

5. Discuss in brief about the Asset Backed Securities.

6. Briefly explain lease vs. Buy decisions with examples.

7. A firm has the choice of buying a piece of equipment at a cost of Rs.1,00,000 with borrowed funds at a cost of 18% p.a. repayable in five annual installments of Rs.32,000, or to take on lease the same on an annual rental of Rs.32,000. The firm is in the tax-bracket of 40%

Assume:

i) The salvage value of the equipment at the end of the period is zero.

ii) The firm uses straight line depreciation.

iii) Discounting factors are:

@9%	0.917	0.842	0.772	0.708	0.650
@11%	0.901	0.812	0.731	0.659	0.593
@18%	0.847	0.718	0.609	0.516	0.437

Which alternative do you recommend?

SECTION - C

Answer any Two questions out of Four. Each question carries 12 marks. (2×12=24)

8. Write about technique used in financial modelling. How do these technique asset in financial decision making.

9. Evaluate the importance and limitations of using statistical methods in investment appraisal under Risk.

10. Calculate variance, standard deviation and coefficient of variation of project A and project B on the basis of following information:

Possible event	Project A		Project B	
	Cash flow	Probability	Cash flow	Probability
A	8,000	0.10	24,000	0.10
B	10,000	0.20	20,000	0.15
C	12,000	0.40	16,000	0.50
D	14,000	0.20	12,000	0.15
E	16,000	0.10	8,000	0.10



11. ABC Ltd. is considering a proposal to acquire an equipment costing Rs. 5,00,000. The expected effective life of the equipment is 5 years. The company has two options - either to acquire it by obtaining a loan of Rs. 5 lakhs at 12% interest p.a. or by lease. The following additional information are available:

- i) The principal amount of loan will be repaid in 5 equal yearly installments.
- ii) The full cost of the equipment will be written off over a period of 5 years on straight line basis and it is to be assumed that such depreciation charge will be allowed for tax purpose.
- iii) The effective tax rate for the company is 40% and the after tax cost of capital is 10%.
- iv) The interest charge, repayment of principal and the lease rentals are to be paid on the last day of each year.

You are required to work out the amount of lease rental to be paid annually, which will match the loan option. The discount factor at 10% are as follows:

Year	1	2	3	4	5
Discount	0.909	0.826	0.751	0.683	0.621

SECTION - D

(1×12=12)

12. Answer the following question. This question carries 12 marks.

A Ltd. wants to acquire T Ltd. and has offered a swap ratio of 1:2 (0.5 shares for every one share of T Ltd). Following information is provided:

	A Ltd	T Ltd
Profit after tax	18,00,000	3,60,000
Equity shares outstanding (Nos)	6,00,000	1,80,000
EPS	Rs. 3	Rs. 2
PE Ratio	10 times	7 times
Market price per share	Rs. 30	Rs. 14

Required:

- i) The number of equity shares to be issued by A Ltd. for acquisition of T Ltd.
- ii) What is the EPS of A Ltd. after the acquisition?
- iii) Determine the equivalent earnings per share of T Ltd.
- iv) What is the expected market price per share of A Ltd. after the acquisition, assuming its PE multiple remains unchanged?
- v) Determine the market value of the merged firm.