Paper / Subject Code: 85405 / Strategic Corporate Finance

TIME: 2 ½ Hours Total Marks: 75

Instructions: 1. All Questions are Compulsory
2. Use of Simple Calculator is allowed

Q1. A. Match the following (any Eight) (8)

	COLUMN A		COLUMN B
1	MVA	A	Retained Earnings
2	Irrelevant Cost	B	Act as a catalyst economy
3	Zero based budgeting	C	Sunk Cost
4	Source of Long term finance	D	True or Fair
5	PPP	E	Working start from level zero
6	Walter's Model	F.	Business modelling and planning technique
7	What if Scenario	G	(Market Cap – Book Value of net worth)
8	Audit Report	H	Credit Risk
9	Default Risk	I	Finance Due Diligence
10	FDD	J	Theory of dividend policy

Q1. B. State whether True or False (any Seven) (7)

1. EVA is inversely related to shareholders.
2. Strategic planning horizon rarely exceeds 2 years.
3. Life cycle costing ascertains the cost of product over its projected life.
4. Business plan acts as a control instrument.
5. Commercial paper is a money market instrument.
6. Illiquid refer to the state of a security that can be easily sold.
7. Hedging is used to reduce risk
8. The net capital expenditures are the difference between capital expenditures and depreciations
9. MBO refers to management buy opinion.
10. Due diligence is typically balance sheet focused.

Q2. A. Define Strategic Corporate Finance. Explain its scope. (8)

Q2. B. Write a short note on financial planning? (7)

OR

Q2. C. Write a short note on Life cycle costing. (8)

Q2. D. Explain the concept of Quality Costing (7)

Q3. A. What are the determinants of capital structure? (8)

Q3. B. Explain What-If scenario (7)

OR

Q3. C. M/s. Priti Ltd. has the following capital structure:

Equity Capital (Rs. 100 each)	Rs. 15, 00, 000
8% Preference Shares	Rs. 10, 00, 000
10% Debentures	Rs. 15, 00, 000

The company pays a dividend Rs. 5 per share and current market price per share is Rs. 50 having growth rate of 5%. You are required to calculate WACC if tax rate is 50%. (8)

Q3. D. Calculate Book value and Market value for the following,

(Amounts in lakhs)

Particulars	Book Value	Market value	Specific Cost
Equity Share Capital	80	120	18%
Preference Share Capital	30	20	15%
Debentures	40	40	14%

(7)

Q4. A. Explain the Modigliani-Millers Model. (8)

Q4. B. Explain the different company valuation approaches. (7)

OR

Q4. C. The following information is furnished for M/s ABC Ltd. and M/s XYZ ltd. (15)
Calculate Earnings per share (EPS) for both the companies,

Particulars	ABC Ltd.	XYZ Ltd.
Equity Share Capital (Rs. 100 each)	10, 00, 000	12, 00, 000
9% Preference Share Capital	3, 00, 000	3, 50, 000
7% Debentures	2, 00, 000	2,50, 000
EBIT	3, 10, 000	3, 42, 000
Tax bracket	50 %	50%

Q5. A. Explain credit analysis and its steps. (8)

Q5. B. What is Risk? Explain the methods to treat it. (7)

OR

Q5. Answer the following (any three) (15)

1. Wealth Management
2. Problem with too much cash
3. Value Enhancement tool
4. Types of Risk
5. Net Income Approach

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