

C 61988-A

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Name.....

Reg. No.....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, JUNE 2019

(CUCSS—PG)

M.Com.

MC 4E (F) (03)—STRATEGIC FINANCIAL MANAGEMENT

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all questions.

Each question carries 1 weightage.

1. Explain Wealth maximization.
2. What is EVA ?
3. What is Time value of money ?
4. Explain financial leverage.
5. What is IRR?
6. What are the Relevance model and Irrelevance model ?

(6 × 1 = 6 weightage)

Part B

Answer any six questions.

Each question carries 3 weightage.

7. Wealth maximization is a superior and more refined objective of financial management, explain.
8. How does synergy arise through Mergers and explain financial synergy ?
9. What are the defensive strategy against tender offer and hostile takeover ?
10. What is capital budgeting explain the relevance and significance of capital budgeting ?
11. The current market price of an equity share of the company is Rs. 70. The current dividend per share is Rs. 5. Dividends are expected to grow at 7 percentages. Calculate the cost of capital ?
12. Explain the concept of working capital.
13. The annual demand for a product is Rs. 40,000 units. Cost of carrying inventory is 20 per cent. Cost per order is Rs. 10. Calculate the economic order quantity.
14. A project requires an investment of Rs. 20,00,000 with a life of 10 years which yields expected annual cash flows of Rs. 50,000. Compute the payback period.

(6 × 3 = 18 weightage)

Turn over

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Part C

Answer any two questions.
Each question carries 6 weightage.

15. Explain the concept of Divestment ? Mention the different reasons and avenues of divestments.
16. What is Merger ? Explain the different types and styles of Mergers ?
17. Gopal Ltd. wants to purchase a machine. Two machines viz., A and B, are available in market. The cost of each machine is Rs. 2,00,000. The expected lives of these machines are 5 years . Net profit before tax during the expected lives of these machines is given below :

Year		Machine A	Machine B
1	...	20,000	14,000
2	...	30,000	26,000
3	...	26,000	30,000
4	...	40,000	50,000
5	...	34,000	40,000
Total	...	<u>1,50,000</u>	<u>1,60,000</u>

The average rate of tax is 50 per cent. Calculate which machine is more profitable ?

(2 × 6 = 12 weightage)