

SVKM's NMIMS
NMIMS Global Access – School for Continuing Education

Programme: PGDFM

June 2013 Examination
Subject: Strategic Financial Management

Semester: IV
Course New
Marks 70
Time: 3.00 p.m. to 6.00 p.m.

Date: 21.06.2013

Instructions:

- 1) Candidates should read carefully the instructions printed on the question paper and on the cover of the Answer Book, which is provided for their use.
- 2) Answer to each new question to be started on a fresh page.
- 3) Figure in bracket indicate full marks

Q1) Attempt any 2 out of 3

(10 Marks)

- a) What are the objectives of Double Tax Avoidance Agreement?
- b) Why restructuring fails – discuss.
- c) Write a short note on Economic Value Added (EVA).

Q2) Attempt any 2 out of 4

(10 Marks)

- a) How is Transfer Pricing related to Strategic Cost Management?
- b) What are different types of Acquisitions?
- c) What are the factors that affect the capital structure?
- d) Briefly enumerate the factors that cause the failure of consolidation.

Q3) Attempt any 3 out of 4

(30 Marks)

- a) Explain the term 'Strategy'. Discuss various stages to be followed in implementing a turnaround strategy.

b) Following are the financial statements of Delta Ltd. as on 31st March, 2011.

Income Statement (Rs. In Crores)

| Particulars | Rs | Rs |
|------------------------------|-----|-----|
| Sales | 500 | |
| Interest in Investments | 10 | |
| Profit on sale of assets | 5 | 515 |
| Less: Expenses | | |
| Manufacturing Expenses | 180 | |
| Administrative Expenses | 60 | |
| Selling Expenses | 50 | |
| Depreciation | 30 | |
| Loss on sale of assets | 5 | 325 |
| EBIT | | 190 |
| Less: Interest on borrowings | | 20 |
| EBT | | 170 |
| Less: Tax @ 30% | | 51 |
| EAT | | 119 |

Cost of equity capital and loan funds is 10% and 12% respectively.

Find out the EVA and MVA

- c) Discuss venture capital as a source of finance with specific reference to India scenario
- d) Explain & discuss Green Field Ventures.

Q4) Attempt All questions

(20 Marks)

a) A Firm's current EPS is Rs.6, its dividend payout is 40% and its growth rate of EPS is 10%. The normal PE multiple is 15.

- i. What is the stock value using the Capitalisation of Earning Method
- ii. What is the value in three years using the same method?

b) Discuss the Modigliani Miller theory in detail with its assumptions.

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