SVKM's NMIMS
School of Distance Learning

ProgrammePGDFM

Academic Year: 2011-2012		Semester	IV
Subject:	Strategic Financial Management	Course	New
		Marks:	70
Date:	2.1.2012	Time:	3.00 p.m to 6.00 p.m

Instructions: 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.

Q1) Write Short notes on any 2 out of 4 **(10 Marks)**

a) Characteristics of good restructuring plan.

b) Issues involved in Transfer Pricing

c) Leveraged Buyout.

d) Factors affecting capital structure.

Q2) Attempt any 2 out of 5 **(10 Marks)**

a) What is corporate restructuring? What are the factors that lead to corporate restructuring?

b) What are Green Field Ventures? Explain its features in brief.

c) Explain briefly, how financial policy is linked to strategic management.

d) RST has a capital of Rs.10,00,000 in equity shares of Rs. 100 each. The shares are currently quoted at par. The company proposes to declare a dividend of Rs.10 per share at the end of the current financial year. The capitalization rate for the risk class of which the company belongs is 12%. What will be the market price of the share at the end of the year, if:

1. Dividend is not declared
2. Dividend is declared.
3. Assuming that the company pays the dividend and has a net profits of Rs.500,000 and makes new investments of Rs.10,00,000 during the period, how many nes shares must be issued? Use MM Model.

e) Assume you are a Credit Manager with a large Venture Capital Firm. A proposal to fund a project has been put up before you. What are the things that you will look into before you sanction the proposal.

Q3) Attempt any 3 out of 5 **(30 Marks)**

a) Discuss in detail Economic Value Added (EVA) and Market Value Added (MVA).

b) Explain the term 'Strategy'. How is it different from the term 'Policy'? Discuss the various Corporate Strategy Levels

c) Explain the Pecking Order Theory of Financial Distress.

d) Discuss the various methods available for Transfer Pricing.

e) Describe the various modes of payment to target firm and suggest which method should be selected.

Q4) **(20 Marks)**

a) Critically examine Modig liani Miller Theory in detail.

b) Consider the following information pertaining to two stocks X and Y

Year	Return on X(%)	Return on Y(%)
2008	12	10
2009	18	16

You are required to determine:

(i) The expected return on the portfolio containing X and Y in the proportion of 3:2
(ii) The standard deviation of return from each of the two stocks
(iii) The covariance of returns from each of the two stocks
(iv) Co-relation co-efficient between the returns of the two stocks
(v) The risk of portfolio containing X and Y in the proportion of 3:2

X