SVKM's NMIMS
School of Distance Learning

Programme: PGDFM

Academic year: 2012 – 2013
Subject: Strategic Financial Management

Semester: IV
Course New
Marks 70

Date: 13.07.2012
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) Attempt any 2 out of 3 **(10 Marks)**

a) What are the factors affecting Capital Structure?

b) Assumptions of Capital Pricing Model (CAPM).

c) Write a short note on Market Value Added (MVA).

Q2) Attempt any 2 out of 4 **(10 Marks)**

a) Discuss Gordon's Theory of Relevancy of Dividend Payout on Value of Firm, with example.

b) Discuss the Trade Off theory of financial distress.

c) Distinguish between Venture Capital and M&A.

d) State important points of India's DTAA as per Income Tax Act 1961.

Q3) Attempt any 3 out of 4 **(30 Marks)**

a) Explain the term 'Strategy'. Discuss failures & successes of strategies with example.

b) PQR 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:

i. Dividend is not declared

ii. Dividend is declared.

iii. 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.

c) Explain Financial Restructuring & state different strategies.

d) Explain Leverage Buyout (LBO). Under what conditions LBO is adopted?

Q4) **(20 Marks)**

a) The following information relates to Useless Ltd.'

Earnings of the company	Rs.10,00,000
Dividend Payout Ratio	60%
No. of shares outstanding	200,000
Rate of return on Investment	15%
Equity Capitalization Rate	12%

(i) What would be the market price per share as per Walter's Model?

(ii) What is the optimum dividend payout ratio according to Walter's Model and the market value of the company's share at that payout ratio.

b) The Capital structure of Gee Ltd. as on 31st March 2012 is as follows:

Capital Type	Rs. In Crores
Equity Capital	500
Reserves & Surplus	400
10% Preference Shares	50
15% Term Loan	300

Tax rate is 35%. The present market value of the share is Rs.36 and expected dividend is Rs.3.60 per share growing at 9% indefinitely. The preference share is issued with a life of 10 years and is presently quoted at Rs.81.

Calculate WACC.

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