

SVKM's NMIMS
NMIMS – GLOBAL ACCESS SCHOOL FOR CONTINUING EDUCATION

Programme: PGDFM

Examination: June 2015
Subject: Strategic Financial Management

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

Instructions

1. Answer to each new question to be started on fresh page.
2. Figures in the bracket indicate full marks.

Q1. Attempt any 2 out of 4

(Marks: 2X5=10)

- a) What is the difference between strategy and policy?
- b) Explain the different methods of transfer pricing?
- c) What are the success and failure factors of consolidation?
- d) Discuss the factors determining the capital structure?

Q2. Write Short Notes on any 2 out of 5

(Marks: 2X5=10)

- a) Strategy formulation process
- b) Economic value Added
- c) Importance of cost of capital
- d) Factors leading to financial distress
- e) Difference between mergers and acquisitions

Q3. Attempt any 3 out of 5

(Marks: 3X10=30)

- a) Discuss various approaches towards cost of capital.
- b) What are the different modes of restructuring?
- c) Explain the methods of accounting for amalgamation?
- d) The Cost of Capital is 10%, Earning per share is Rs.10. The company has an option of paying dividend per share of (a) ₹ Nil (b) ₹ 2.5 c) ₹ 7.5 (d) ₹10. Compute the market price of share if rate of return on investment is (i) 15% (ii) 8%. Use Walter's Model.
- e) Discuss the method of payment to target firm?

Q4. Attempt both questions

(Marks: 2X10=20)

- a) Following information have been taken from different firms. The interest paid on debenture is 10%. Calculate WACC of each firm (weighted average cost of capital).
(Assume corporate tax rate is NIL)

Firms	EBIT	Interest 10% on Debt	Ke (%)
A	200000	20000	12
B	300000	60000	16
C	500000	200000	15
D	600000	240000	18

- b) Discuss Capital Asset Pricing Model?