Q.P. Code: 33266

TIME: 2 $\frac{1}{2}$HOUR **MARKS: 75**

Instructions: 1. All Questions are Compulsory
2. Use of Simple Calculator is allowed

Q1. A. State whether the following sentences are true or false (any Eight) **(8)**

1. Investment policy is one of the objective of strategic corporate finance
2. EVA is an accounting-based technique of measuring the performance of the company.
3. Equity and Debt are not major sources of finance.
4. Business Plan acts as control instruments.
5. Size of the business is not a factor of factor structure.
6. Dividend decision is one of the important factor in deciding capital structure.
7. Risk is uncertain.
8. Default risk refer to borrower's in ability to pay the debt.
9. Management buyout means the purchase of a business by an outside management.
10. Due diligence is a process of examining all the material facts of a deal.

Q1. B. Match the following (any Seven) **(7)**

Column A	Column B
1. TQM	a) Interest
2. Maturity	b) Last claimants
3. Debentures	c) No Volatility
4. Equity Shareholders	d) Stage in life cycle
5. Zero Beta	e) Quality awareness
6. Goodwill	f) Protection
7. Credit VaR	g) Change in market prices
8. Hedge	h) Risk free
9. Market Risk	i) Worst Loss
10. Bank Deposit	j) Intangible Asset

Q2. A. What are the significance of strategy in financial decision making? Explain briefly **(8)**

Q2. B. Write a note on Wealth Maximization. **(7)**

OR

Q2. C. Discuss traditional costing and strategic costing. **(8)**

Q2. D. Explain Zero based budgeting with its advantages and disadvantages. **(7)**

Q3. A. State the various sources of capital. **(8)**

Q3. B. Determine Weighted Average Cost of Capital using, **(7)**

a. Book Value
b. Market Value

Sources	Book Value (Rs.)	Market Value (Rs.)	Cost (%)
Debt	6, 00, 000	4, 60, 000	6%
Preference	3, 00, 000	2, 50, 000	10%
Equity	8, 00, 000	10, 00, 000	12%

OR

Q3. C. Explain the various factors affecting capital structure. **(8)**

Q3. D. Following is the capital structure of a firm,

Sources	Amount (Rs.)
Equity Capital	6, 50, 000
Retained Earnings	2, 00, 000
Preference Shares	3, 00, 000
Debt	4, 00, 000

The firm's after tax, cost of various sources of finance are as follows,

Sources	Cost (%)
Equity Capital	15%
Retained Earnings	13%
Preference Shares	10%
Debt	5%

Calculate Weighted Average Cost of Capital of the firm. **(7)**

Q4. A. Write a note on Management Buyout. **(8)**

Q4. B. From the following calculate Earnings per share (EPS) for both the companies,

Particulars	ABC Ltd.	XYZ Ltd.
Equity Share Capital (Rs. 10 each)	4, 00, 000	6, 00, 000
10% Preference Share Capital (Rs. 10 each)	3, 00, 000	3,50, 000
8% Debentures	2, 00, 000	2, 50, 000
EBIT	3, 10, 000	3, 42, 000
Tax Bracket	50%	50%

(7)

OR

Q4. C. What is due diligence? Explain its needs. **(8)**

Q4. D. Write a note on Management Buy-Ins. **(7)**

Q5. A. Discuss the steps in Credit Analysis.
Explain various technique to manage default risk. **(15)**

OR

Q5. <u>Answer the following (any three)</u> **(15)**

1. Quality costing
2. Cost reduction
3. Market approach
4. Long Hedge
5. Value based management

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