Paper / Subject Code: 45912 / Elective : Fiance : Strategic Financial Management.

Q.P. Code: 33129

Time: 2 ½ hours **75 marks**

Note:

- **All Question are compulsory.**
- **Figure to the right indicate full marks.**
- **Use of simple calculator is allowed.**

Q1 **Answer the following (Any Two out of Three)** **[15 marks]**

A) The Earning per share of company are Rs 6 and the rate of capitalization applicable to the company is 10% p.a. The company has before it an option of adopting a payout ratio of 30% or 70% or 85%. Using Walter formula of dividend payout, compute the market value of the company share if the rate of return (R) is 1)15% p.a. 2) 5% p.a.

B) What is XBRL? Explain the importance of XBRL?

C) "Newsletter" a weekly journal on the happenings in the stock market, has published the following data about dividends, future growth etc. of three companies ATL, UTA and EWC-

Particulars	ATL	UTA	EWC
Earnings per share	Rs.120	Rs.50	Rs.55
Payout Ratio	20%	40%	10%
Future growth rate expected in dividend	5%	10%	10%
Required rate of return/Cost of Equity(ke)	15%	18%	20%

Ascertain Market Price based on Gordan model

Q2 **Answer the following (Any Two out of Three)** **[15 marks]**

A) Total budget available with the company is 10, 00,000.

Project	Cost (Rs in Lakhs)	Profitability Index
1	3,00,000	1.22
2	1,50,000	0.95
3	3,50,000	1.20
4	4,50,000	1.18
5	2,00,000	1.20
6	4,00,000	1.05

- Calculate
  - Cash inflow for each projects
  - Net present value for each of the projects
- Which project should be undertaken by the company in order to maximize the Net Present Value under Capital Rationing assuming that the each projects is indivisible?

B) What are the different steps involve in Decision Tree analysis?

C) Given the following information, find out which project is more risky (use standard deviation)

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State of the Market	Probability of occurrence	Actual Cash flows(Rs.)	
		Project A	Project B
High	0.2	1,000	1,200
Normal	0.6	800	800
Low	0.2	600	400

Q3 **Answer the following (Any Two out of Three)** **[15 marks]**

A) ACE company ltd is studying the possible acquisition of PACE company ltd by way of merger. The following information is available.

Particulars	ACE ltd	PACE ltd
Number of equity shares	40,000	10,000
Earning after tax (Rs)	2,00,000	60,000
Market price per share(Rs)	15	12

- If merger goes through exchange of equity shares and exchange ratio is based on the current market price, what will be new EPS for ACE Company Ltd.?
- If PACE Company ltd want to ensure that the earning available to its equity shareholder will not be diminished by the merger, what should be the exchange ratio in that case?

B) From the following date pertaining to XYZ ltd for the year ended 31st March 2016, you are required to calculate Economic Value Added?

Capital Employed	Rs 1000 crores
Debt Equity Ratio	1:4
Cost of Equity	18%
Cost of Debt (Pretax)	15%
Tax Rate	35%
EBIT	Rs 300 crores

C) What is corporate governance? Explain the importance of corporate governance?

Q4 **Answer the following (Any Two out of Three)** **[15 marks]**

A) The following information is presented by Data and Sons Ltd. for the year 2017-18

Estimated Yearly Production = 30,000 units
Estimated Cost sheet per unit

Particulars	Cost per unit(Rs)
Raw Materials	5
Wages	3
Overheads	2
Selling price	12

Further Information:

- The company maintains one month's stock of Raw Materials.
- The company extends two months credit to the customers.

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- The company maintains two month's stock of finished goods
- The processing period is One months
- The company is allowed one month's credit by suppliers.
- Wages and Overheads are paid one month in arrears.
- The cash and bank balance is expected to be Rs. 8,125.
- There is regular purchase, production and sales cycle.
- During production process, wages and overheads accrue evenly.
- Debtors are to be calculated on sale price basis.

You are required to:

- Prepare the statement showing estimate of working capital
- Calculate MPBF as per the first and second method of lending recommended by Tandon committee.

B) What are the objectives of nationalization of Banks in India?

C) The following information is available from the books of X Bank Ltd as on 31st March 2010

Bills discounted	Rs.1,37,05,000
Rebate on bills discounted	Rs.2,21,600
Discount Received	Rs.10,56,650

Details of bills discounted:

Amount	Due date	Rate of Discount
Rs.18,25,000	05-6-2010	12%
Rs.50,00,000	12-6-2010	12%
Rs.28,20,000	25-6-2010	14%
Rs.40,60,000	06-7-2010	16%

Calculate the rebate on bills discounted as on 31-03-2010 and also pass journal entries

Q5 **Answer the following** **[15 marks]**

Standard project is considering accepting one out of two mutually exclusive projects A and B. The cash flow and probabilities are as follows.

Project A		Project B	
Cash Flow	**Probability**	**Cash Flow**	**Probability**
6,000	0.1	4,000	0.10
7,000	0.2	6,000	0.25
8,000	0.4	8,000	0.30
9,000	0.2	10,000	0.25
10,000	0.1	12,000	0.10

- Compute the expected net present value for both the projects.
- Compute the standard deviation for both the projects.
- Compute the Co-efficient of Variation for both the projects.
- Which project do you consider more risky and why?

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