



**SB-4082**  
**M.B.A. (Sem.-IV) (FT) (ATKT) & (Sem.-VI) (Eve.)**  
**Examination**  
**March/April – 2011**  
**Strategic Financial Management**

Time : 3 Hours]

[Total Marks : 100

**Instructions :**

(1)

<p>नीचे दृष्टाविक निशानीवाणी विगतो उत्तरवडी पर अवश्य लखवी. Fillup strictly the details of signs on your answer book.</p> <p>Name of the Examination : <b>M.B.A. (Sem.-4) (FT) (ATKT) &amp; (Sem.-6) (Eve.)</b></p> <p>Name of the Subject : <b>Strategic Financial Management</b></p> <p>Subject Code No. : <b>4 0 8 2</b> Section No. (1, 2,.....): <b>1&amp;2</b></p>	<p>Seat No. : <table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"><tr><td style="width: 15%;"></td><td style="width: 15%;"></td><td style="width: 15%;"></td><td style="width: 15%;"></td><td style="width: 15%;"></td><td style="width: 15%;"></td></tr></table> <div style="border: 1px solid black; border-radius: 15px; padding: 10px; text-align: center; width: 100%;">Student's Signature</div></p>						

- (2) Use separate answer books for each section.
- (3) Figures on the right indicate maximum marks of the question.
- (4) Question Nos 1 to 6 are compulsory.
- (5) Answer any two questions from Q No. 2 to 5 in section - I and any two from Q No. 7 to 9 in section II.
- (6) Elucidate your answers with examples wherever necessary.

**SECTION - I**

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|----------|--|-----------|
| <b>1</b> | Compulsory :   | <b>20</b> |
|          | (a) What are the different forms of corporate restructuring ?<br>Explain with suitable examples. |           |
|          | (b) Describe the 4 stage LBO process in detail.  |           |
| <b>2</b> | Describe the concepts of Organizational Learning and Organizational Capital in detail.           | <b>15</b> |
| <b>3</b> | What are ESOPs ? Explain the role of ESOPs as a strategic management tool.                       | <b>15</b> |

- 4 Explain the basic stock repurchase model in detail and also give the rationale behind share repurchases. **15**
- 5 Write brief notes on any **two** : **15**
- (a) Difference between financial conglomerates and management conglomerates
  - (b) Rationale for gains to sell offs
  - (c) Net Income Approach for Capital Structure
  - (d) Corporate Governance.

## SECTION - II

- 6 Compulsory : **20**
- (a) What are the different types of mergers ? How do mergers and acquisitions create value for the shareholders ? Explain with examples.
  - (b) Explain any three theories of Mergers.
- 7 Pioneer Steels Ltd. is considering two mutually exclusive projects. Both require an initial cash outlay of Rs. 10,000 and have a life of 5 years. The company's required rate of return is 10% and pays tax at a rate of 50%. The projects will be depreciated on a straight line basis and have zero salvage value. The cash flows expected to be generated from the projects are as follows :

<i>Year</i>	1	2	3	4	5
<i>Project 1</i>	4000	4000	4000	4000	4000
<i>Project 2</i>	6000	3000	2000	5000	5000

You are required to calculate : payback period, ARR, NPV, PI, IRR of both the projects and suggest which project should be selected.

- 8 Himalaya Ayurvedic Products Ltd. currently has 1,00,000 outstanding shares selling at a market price of Rs. 100 per share. The firm has a net profit of Rs. 10,00,000 and wants to make new investments of Rs. 20,00,000 during the period. The firm is also thinking of declaring a dividend of Rs. 5 per share at the end of the current fiscal year. The firm's opportunity cost of capital is 10 percent. What will be the price of the share at the end of the year if :
- (a) Dividend is declared
  - (b) Dividend is not declared
  - (c) How many new shares must be issued ?
  - (d) Show that the value of the firm does not change even when dividends are issued.
- 9 Write short notes on any two :
- (a) M-M Hypothesis for Capital Structure decision with and without corporate taxes
  - (b) Difference between Divestitures and Equity carve outs
  - (c) EVA and MVA
  - (d) Financial Engineering
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