June 2021

M. B. A. (Financial Administration) Examination

IVth Semester

STRATEGIC FINANCIAL MANAGEMENT

[Max. Marks 90

Special Note : Word limit for answer of each question is 250 to 300 words.

Note : Attempt any five questions. All questions carry equal marks.

1. What is Strategic Financial Management ? Explain the role of strategic finance manager in financial planning.

2. Define Working Capital. What is the significance of Working Capital for a manufacturing company? What will be the consequences of shortage and excess of Working Capital ?

3. What can be the motive and strategies of acquisitions and takeovers ? What is the procedure for share valuation and price bidding ?

4. Define Corporate Restructuring. What are the various strategies for corporate restructuring ?

5. Write short notes on any two of the following :
   (a) Turnaround Strategy
   (b) Types of Mergers with examples
   (c) Reasons for Mergers.

6. The XYZ Limited wants to acquire ABC Limited by exchanging its 1.6 shares for every share of ABC Limited. It anticipates to maintain the existing P/E ratio subsequent to the merger also. The relevant financial data are given below :

		XYZ Ltd.	**ABC Ltd.**
Earnings after taxes (Rs.)	:	15,00,000	4,50,000
No. of equity shares outstanding	:	3,00,000	75,000
Market Price Per Share (MPS) Rs.	:	35	40

   (a) What is the exchange ratio based on market prices ?
   (b) What is pre-merger EPS and the P/E ratio for each company ?
   (c) What was the P/E ratio used in acquiring ABC Limited ?
   (d) What is EPS of XYZ company after the acquisition ?
   (e) What is the expected market price per share of the merged company ?

7. The following data concern companies A and B :

Particulars	**Company A**	**Company B**
Earning After Taxes (Rs.)	1,40,000	37,500
No. of Equity Shares Outstanding	20,000	7,500
Earning Per Share (Rs.)	7	5
P/ E Ratio (Times)	10	8
Market Price (Rs.)	70	40

Company A is the acquiring company, exchanging its one share for every 1.5 shares of B Limited. Assume that company A expects to have the same earning and P/E ratio after the merger as before (no synergy effect). Show the extent of gain accruing to the shareholders of the two companies as a result of the merger. Are they better or worse off than they were before the merger ?
