D 143086 **(Pages : 3)** **Name.......................................**

Reg. No..................................

FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2026

(CBCSS)

Master of Commerce

MCM 4E (F) 04—ADVANCED STRATEGIC FINANCIAL MANAGEMENT

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Answers should be written in English only.

Section A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. What is meant by Sustainable Growth Rate ?
2. Differentiate between Economic Value Added (EVA) and Market Value Added (MVA).
3. What is meant by Capital structure planning ?
4. Explain financial evaluation of Leasing.
5. What are Takeover defences ?
6. Compare the Horizontal and Vertical merger.
7. Explain different types leasing ?

(4 × 2 = 8 weightage)

Section B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. Explain NPV and decision rule of using NPV method.
9. Consider a firm that has existing assets in which it has capital invested of ₹ 100 crores. The after-tax operating income on assets-in-place is ₹ 15 crore. The return on capital employed of 15 % is expected to be sustained to perpetuity, and company has a cost of capital of 10 %. Estimate the present value of economic value added (EVA) of the firm from its assets-in-place.

Turn over

10. Calculate NPV for a small sized project requiring an initial investment of ₹ 20,000, and which provides net cash inflow of ₹ 6,000 each year for six years. Assume the cost of funds to be 8 % p.a and there is no scrap value. (PV of annuity of Re. 1 for 6 years at 8 % p.a interest is ₹ 4.623)

11. The following information is available in respect of a firm :

    Capitalisation rate = 10 %

    Earnings per share = ₹ 50

    Assumed rate of return on investments :

    i) 12 %

    ii) 8 %

    iii) 10 %

    Show the effect of dividend policy on market price of shares applying Walter's formula when dividend payout ratio is a) 0 % ; b) 20 % ; c) 40 % ; d) 80 % ; and e) 100 %

12. Differentiate the Leasing methods and buying.

13. Explain different methods of valuation of firm.

(4 × 3 = 12 weightage)

Section C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

14. Explain the different types of Takeovers of business.

15. X Ltd. is considering the proposal to acquire Y Ltd. and their financial information is given below :

Particulars		X Ltd.	Y Ltd.
No. of Equity shares	...	10,00,000	6,00,000
Market price per share (Rs.)	...	30	18
Market Capitalization (Rs.)	...	3,00,00,000	1,08,00,000

X Ltd. intend to pay Rs. 1,40,00,000 in cash for Y Ltd., if Y Ltd.'s market price reflects only its value as a separate entity. Calculate the cost of merger :

(i) When merger is financed by cash ; and

(ii) When merger is financed by stock.

16. Company B is being acquired by company A on share exchange basis. The relevant data for the two companies are given below :

	Company A	Company B
Number of share (Lakhs)	6	4
Earning After Tax (Lakhs)	30	12
EPS (Rs.)	5	3
Price earnings Ratio	16	8

You are required to determine :

a) Pre-merger market value per share ; and

b) The maximum share exchange ratio that company A should offer without the dilution i) EPS ; and ii) Market Value per share.

17. Describe the financial impact of Merger of business undertakings.

(2 × 5 = 10 weightage)

D 143086–A **(Pages : 4)** **Name.......................................**

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Master of Commerce

MCM4E(F)04—ADVANCED STRATEGIC FINANCIAL MANAGEMENT

(2019 Admission onwards)

(Multiple Choice Questions for SDE Candidates)

Time : 20 Minutes	**Total No. of Questions : 20**	**Maximum : 5 Weightage**

INSTRUCTIONS TO THE CANDIDATE

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

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MCM4E(F)04—ADVANCED STRATEGIC FINANCIAL MANAGEMENT

(Multiple Choice Questions for SDE Candidates)

1. Which one of the following is / are the relevance theory ?

   (A) Gorden.
   (B) Walter.
   (C) Residual.
   (D) Both (A) and (B).

2. A firm has sales of Rs. 75,00,000, variable cost of Rs. 42,00,000 and fixed cost of Rs. 6,00,000. It has a debt of Rs. 45,00,000 at 9 % interest and equity of Rs. 55,00,000. At what level of sales, the EBIT of the firm will be equal to zero ?

   (A) Rs. 28,48,500.
   (B) Rs. 28,84,500.
   (C) Rs. 22,84,500.
   (D) Rs. 26,48,500.

3. The dividend irrelevance theorem to share valuation was propounded by :

   (A) James E. Walter.
   (B) Myron Gordon.
   (C) Modigliani and Miller.
   (D) None of the above.

4. ————— security is known as variable income security.

   (A) Debentures.
   (B) Preference shares.
   (C) Equity shares.
   (D) None of these.

5. Determinants of dividend policy are :

   (A) Nature of the company.
   (B) Stability of dividend.
   (C) Availability of liquid resources.
   (D) All of the above.

6. Dividend pay-out ratio is equal to :

   (A) Dividend per share divided by face value of share.
   (B) Cost of capital plus dividend.
   (C) Cost of capital minus dividend.
   (D) Yearly dividend divided by EPS.

7. Book value of assets includes :
   (A) Fixed assets, current asset.
   (B) Fixed assets, current asset, intangible asset.
   (C) Fixed assets, current asset, fictitious asset.
   (D) Fixed assets, current asset, intangible asset, fictitious asset.

8. Which of the following is not applicable to IRR ?
   (A) Considers all cash flows.
   (B) Based on time value of money.
   (C) Common for all projects.
   (D) Stated in % return.

9. A 'sale and lease back' arrangement is more suitable for a lessee having.
   (A) Liquidity crisis.
   (B) Surplus fund.
   (C) High profit.
   (D) No - profit - no loss.

10. This merger involves firm engaged in unrelated types of activities.
   (A) Vertical.
   (B) Horizontal.
   (C) Conglomerate.
   (D) Demerger.

11. When existing company is dissolved to form few new companies, it is called as ————.
   (A) Spin off.
   (B) Split off.
   (C) Split up.
   (D) All of the above.

12. It is a merger of two or more companies that compete in the same industry.
   (A) Vertical.
   (B) Horizontal.
   (C) Co generic.
   (D) Conglomerate.

13. Earnings Per Share (EPS) is equal to ————.
   (A) Profit before tax/No of outstanding shares.
   (B) Profit after tax / No of outstanding shares.
   (C) Profit after tax / amount of equity capital.
   (D) Profit after tax / amount of equity capital.

14. ———— has laid down the guidelines for takeovers in order to protect the interest of the small investors.

    (A) SEBI. (B) RBI.

    (C) Both (A) and (B). (D) Government.

15. Which of the performance evaluation methods takes into consideration tax effects ?

    (A) Economic value added. (B) Return on sales.

    (C) Residual income. (D) Return on investment.

16. What is the value of the firm usually based on ?

    (A) The value of debt and equity.

    (B) The value of equity.

    (C) The value of debt.

    (D) The value of assets plus liabilities.

17. Which of the following is a pre offer take-over defenses ?

    (A) Crown Jewel. (B) People pill.

    (C) Poison pill. (D) PAC man defense.

18. The process by which company or organization is divided and thereby becomes an independent business is called ————.

    (A) Spin out. (B) Spin off.

    (C) Split off. (D) Sell off.

19. SVA stands for ————.

    (A) Share value accounted. (B) Statutory value addition.

    (C) Shareholder value added. (D) None of the above.

20. The concept of EVA has been developed by ————.

    (A) Alfred marshal. (B) Benjamin Fleming.

    (C) Stern Steward. (D) Charles H Dow.