

2017

M. Phil.

2nd Semester Examination

**STRATEGIC DECISIONS IN FINANCE****PAPER — COM-121**

Full Marks : 50

Time : 2 Hours

*The figures in the right-hand margin indicate full marks.*

*Candidates are required to give their answers in their own words as far as practicable.*

*Illustrate the answers wherever necessary.*

Answer all questions.

**Group - A**

1. Answer any *four* questions from the following : 4×5
- (a) Explain the term 'Leveraged Buyout' (LBO) in context of merger and acquisition. 5
- (b) State any four major objectives Merger and Acquisition. 5
- (c) Narrate the refinancing strategy in merger and acquisition. 5

(Turn Over)

- (d) Explain the term 'Management Buyout' Strategy. 5
- (e) What is Strategic Financial Management ? How would you analyse the relationship between short term goal and sustainable growth ? 2+3
- (f) Distinguish among the three decision situations for project appraisal : risk, partial ignorance and complete uncertainty. 5
- (g) Discuss the features of project appraisal method under certainty for being treated rational. 5
- (h) How is A. R. R. calculated ? Is it a rational way of appraising the projects under certainty ? 2+3
2. Answer any *two* of the following : 2×10

- (a) The Balance Sheets of A Ltd. and B. Ltd. as at 31.3.2017 are given below :

Assets	A. Ltd. Rs.	B. Ltd Rs.
Premises	1,20,000	—
Goodwill	—	1,20,000
Sundry Debtors	80,000	1,60,000
Stock in trade	3,00,000	90,000
Bank	85,000	75,000
Profit and Loss A/c		35,000
	<u>5,85,000</u>	<u>4,80,000</u>

Liabilities	A. Ltd.	B. Ltd
	Rs.	Rs.
Equity shares of Rs.10 each	4,00,000	3,60,000
General Reserve	75,000	—
Profit and Loss A/c	38,000	—
Sundry creditors	72,000	1,20,000
	<u>5,85,000</u>	<u>4,80,000</u>

A new company AB Ltd. was formed to take over the two businesses entirely on the following understanding.

- (i) A. Ltd. : Premises to be revalued at Rs. 1,50,000, Sundry Debtors taken over at 90% and stock at Rs. 3,15,000.
- (ii) B. Ltd. : Goodwill to be taken over at Rs. 1,60,000, Debtors to be taken at Rs. 1,50,000 and stock at Rs. 75,000.

It was decided that the capital of AB Ltd. would consist of both preference and equity shares of the face value of Rs. 10 each. Preference Shares would be of the order of Rs. 4,00,000 and the balance would be in equity shares. Both the companies would issue shares of both the types in equal number, except that the surplus capital of A Ltd. would be discharged fully in Preference shares. Indicate the number of shares to be issued to each of the vendor companies. 10

- (b) What is strategic Cost Management? Explain with illustration. How does strategic cost Mangement help in taking strategic decisions in an organisation? 4+6
- (c) Explain sensitivity axalysis as a project appraisal method under risk with the help of a suitable illustration. 10
- (d) Distinguish between the following :
- (i) Merger and Takeover .
  - (ii) Amalgamation and Absorption.
  - (iii) Rescure financing and Refinancing. 3+3+4

**[Internal Assessment : 10 Marks]**

---