STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2019-20)

SUBJECT CODE:19CM/PC/SF44

M.COM DEGREE EXAMINATION APRIL 2021
CORPORATE SECRETARYSHIP
FIFTH SEMESTER

COURSE : POST- COURSE
PAPER : STRATEGIC FINANCIAL MANAGEMENT
TIME : 90 MINUTES **MAX. MARKS: 50**

Section - A

Answer any three Questions **(3x10=30)**

1. ABC Ltd. which is expecting the EBIT of Rs.1,50,000 per annum on an investment Rs.5,00,000, is considering the finalization of the capital structure or the financial plan. The company has access to raise funds of varying amounts by issuing equity share capital, 12% preference share and 10% debenture or any combination thereof. Suppose, it analyses the following four options to raise the required funds of Rs.5,00,000.

   (i) By issuing equity share capital at par.

   (ii) 50% funds by equity share capital and 50% funds by preference shares.

   (iii) 50% funds by equity share capital, 25% funds by preference shares and 25% by issue of 10% debentures.

   Assuming that ABC Ltd. belongs to 50% tax bracket, calculate EPS under the four financial alternatives.

2. Earnings Per Share – Rs.20 Capitalization rate -10% Retention rate-50% determine the price of the share under Walter Model and Gordon Model if the IRR is (a) 10% (b) 15%.
3. What factors would you take into account in planning the working capital requirement of a Firm?
4. Explain the objectives of financial management.

Section-B

Answer Any One Question **(1x20=20)**

5. A company is considering two mutually exclusive projects. The other details are:

YEAR	0	1	2	3	4	5
Cash Inflows:						
Project X	(200)	35	80	90	75	20
Project Y	(200)	218	10	10	4	3

Cost of capital 12%. Calculate Pay-back period, discounted Pay-Back period, NPV & IRR of the projects. State with reasons which project you would recommend.

6. A company has the total capital structure of Rs.80,000,00 consisting of:

Ordinary shares (2,00,000 shares)	50.0%
10% Preference Shares	12.5%
14% Debentures	37.5%

The shares of a company sells at Rs.20. It is expected that company will pay next year a dividend of Rs.2 per share which will grow at 7% forever. Assume a 50% tax rate. You are required to (a) Compute a WACC for the existing structure.

(b) Compute the new average cost of capital if the company raises an additional Rs.20,00,000 debt by issuing 15% Debentures, which would result in increasing the expected dividend to Rs.3 and leave the growth rate unchanged, but the price of share will fall to Rs.15 per share.

(c) Compute the cost of capital if in (b) above, growth rate increases to 10%