VI Semester B.Com. Examination, April/May 2015 (Repeaters) (Prior to 2014-15) COMMERCE

Paper – 6.5 : Elective Paper – III : Corporate Financial Policy (100 Marks 2013-14 Only/90 Marks Prior to 2013-14)

Time: 3 Hours Max. Marks: 90/100

Instructions: 1) Answer should be completely written either in English or in Kannada.

- 2) Section A, B, C common to all students.
- 3) Section Dicompulsory for 100 marks paper.

SECTION - A

Answer any ten of the following sub-questions, in not exceeding four lines each.

Each sub-question carries two marks.

(10×2=20)

- 1. a) What is meant by financial policy?
 - b) What is meant by financial risk?
 - c) What is meant by competitive advantage?
 - d) What is tender offer?
 - e) What is meant by vision?
 - f) What is EPS? How is it calculated?
 - g) Give the meaning of absorption.
 - h) List any four benefits of merger.
 - i) What are synergy benefits?
 - i) Name any two methods of brand valuation.
 - k) What is sweat equity?
 - 1) What is sustain growth approach?

SECTION - B

Answer any five of the following. Each question carries five marks.

 $(5 \times 5 = 25)$

- 2. What are intangible assets? How are they valued?
- 3. Explain various sources of internal financing.
- 4. Describe in brief the various forms of mergers.
- 5. NR Ltd. is contemplating to acquire JR Ltd. The following information is available in respect of the companies.

	NR Ltd.	JR Ltd.
No. of equity shares	10,00,000	6,00,000
Market value per share (Rs.)	40	26
EAT (Rs.)	50,00,000	18,00,000

a) What is the present EPS of both companies?

b) What is the new EPS of shares are exchanged on the basis of market price?

P.T.O.



6. A company gives the following data.

Current net profit

Rs. 160 lakhs

EPS

Rs. 8

Current market price

Rs. 84

The company intends to buy another company which has current revenue of Rs. 31.5 lakhs. EPS of Rs. 21 and market price per share of Rs. 170. What is the maximum exchange ratio that the company can offer?

- 7. What is mission statement? Analyse its characteristics.
- 8. Analyse the different types of risks as a factor in formulating financial policy.

SECTION - C

Answer any three of the following. Each question carries fifteen marks.

 $(3\times15=45)$

- 9. Explain the interface of corporate financial policy and other managerial functions.
- 10. Describe the profit maximisation and wealth maximisation objectives.
- 11. X company is acquiring P company. X will issue one share to the shareholder's of P for every two shares held by them. The data for the two companies are as follows:

Particulars	X	P
Profit after tax (Rs. in lakhs)	150	30
No. of shares (lakhs)	25	8
Earnings per share (Rs.)	6.00	3.75
Market per share (Rs.)	78.00	33.75
P/E ratio	13	9

Calculate the earnings per share of the surviving firm after merger. If the price earnings ratio falls to 12 after the merger, what is the premium received by the shareholder's of P (using the surviving firm's new price)? Is the merger beneficial to X's shareholders?

12. M company is taking over N company. The shareholders of N company would receive 0.8 shares of M company for each share held by them. The merger is not expected to yield in economies of scale and operating synergy. The relevant data for the two companies are as follows:

Particulars	M. Co.	N. Co.
Net sales (Rs. crores)	335	118
PAT (Rs. crores)	58	12
No. of shares (crores)	12	3
EPS (Rs.)	4.83	4.00
M.V. per share (Rs.)	30	20
P/E Ratio	6.21	5.00

For the combined company, you are required to calculate

a) EPS

- b) P/E Ratio
- c) M.V. per share

- d) No. of shares
- e) Total market capitalisation
- 13. Explain the different methods of corporate valuation.

SECTION - D

Answer the following question (compulsory for 100 marks):

14. Distinguish between equity shares and debentures.

 $(1\times10=10)$