MS – 396

- 61 -

VI Semester B.Com. Examination, May/June 2014
(Fresh) (Semester Scheme) (2013-14 Only)
COMMERCE
Elective Paper – 3 (b) : Corporate Financial Policy

Time : 3 Hours Max. Marks : 100

Instruction : *Answers should be written completely either in* ***English*** *or in* ***Kannada****.*

SECTION – A

1. Answer **any eight** of the following sub-questions. **Each** sub-question carries **two** marks : **(8×2=16)**

   a) What is financial policy ?

   b) What is Tender Offer ?

   c) Define 'VISION'.

   d) Name the types of brand.

   e) What is the P/E ratio when EPS is ₹ 5 and market price per share is ₹ 28.60 ?

   f) List any four benefits of merger.

   g) What do you mean by factoring ?

   h) What is competitive advantage ?

   i) What is sustained growth approach ?

   j) List any four forms of financing merger.

SECTION – B

Answer **any three** of the following questions. **Each** question carries **eight** marks : **(3×8=24)**

2. Briefly explain the advantages of debentures.

3. What is a mission statement ? Analyse its characteristics.

P.T.O.

4. Explain the scope of financial policy.

5. Explain the problems of accounting for brand equity.

6. 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		500000	300000
Market value per share	(₹)	20	13
EAT	(₹)	25,00,000	9,00,000

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 ?

c) What should be the exchange ratio, if JR Ltd. wants to ensure the same earnings to members as before the merger takes place ?

SECTION – C

Answer **any four** of the following questions. **Each** question carries **fifteen** marks : **(4×15=60)**

7. What is ploughing back of profits ? Discuss its merits and limitations.

8. Describe the profit maximisation and wealth maximisation objectives.

9. What is corporate valuation ? Explain the methods of valuation of a firm.

10. N Ltd. wants to take over R Ltd. and the financial details of both the companies are as follows :

	N Ltd.	R Ltd.
	Rs.	Rs.
Equity share capital of Rs. 10 each	6,00,000	3,00,000
Preference share capital	1,20,000	–

Share premium	–	12,000
P/L account	2,28,000	24,000
10% debentures	90,000	30,000
Fixed Assets	7,32,000	2,10,000
Current Assets	3,06,000	1,56,000
Profits after tax and preference dividend	1,44,000	90,000
Market price per share	24	27

You are required to determine the share exchange ratio to be offered to the shareholders of R Ltd. based on :

a) Net assets value

b) EPS

c) Market price and

d) P/E ratio.

Which should be preferred from the point of view of :

i) N Ltd. and

ii) R Ltd.

11. A Ltd. wants to acquire T Ltd. and has offered a swap ratio of 1 : 2. Following information is provided :

		A Ltd.	T Ltd.
Profit after tax	₹	18,00,000	3,60,000
No. of equity shares		600000	180000
EPS	₹	3	2
P/E ratio		10	7
Market price per share	₹	30	14

You are required to calculate :

i) The number of equity shares to be issued to T Ltd.

ii) The EPS of A Ltd. after the acquisition

iii) The equivalent EPS of T Ltd.

iv) The expected market price per share of A Ltd. after the acquisition – assuming its P/E multiple remains unchanged

v) The market value of the merged firm.