

SARDAR PATEL UNIVERSITY

M. COM. (CBCS) EXAMINATION
SEMESTER - III

COURSE TITLE: FINANCIAL MANAGEMENT-I

CODE NO. : PB03CCOM23

DATE : 24.10.2018, *wednesday*

Total Marks : 70

Time : 2.00pm to 5.00pm

Note : (1) Figures to the right indicate full marks of each question
(2) All working notes are part of the answer.

SECTION - I

Q1 Explain Economic Value Added, Market Value Added and Balanced Scorecard. [17]

OR

Q1 Elaborate important aspects on financial strategy and reporting. [17]

Q2[a] A Ltd. is considering the acquisition of B Ltd. The financial data at the time of acquisition is as follows: [10]

Particulars	A Ltd.	B Ltd.
Net Profit After Tax (Rs./Lakhs)	30	6
No. of Shares (Lakhs)	6	2.50
Earnings Per Share (Rs.)	5	2.40
Market Price Per Share (Rs.)	75	24
P/E Ratio (Times)	15	10

Assuming that the net profit after tax of the two companies would remain the same after amalgamation (i.e., it would be Rs. 36 lakhs), explain the effect on EPS of the merged company under each of the following situations :

(a) A Ltd. offers to pay Rs. 30 per share to the shareholders of B Ltd.

(b) A Ltd. offers to pay Rs. 40 per share to the shareholders of B Ltd.

The amount in both the cases is to be paid in the form of shares of A Ltd. do you have any comments to offer?

Q2[b] Discuss diversification versus disinvestment strategies. [08]

OR

Q2[a] Explain meaning, objectives and forms of corporate restructuring. [12]

Q2[b] Suppose X Co. is considering the acquisition of Y Co. The following are the financial data of the two companies: [06]

	X Co.	Y Co.
PAT (Rs. Cr.)	200	40
Number of Shares	5	2
EPS (Rs)	8	4
Market Price Per share (Rs)	120	30
P/E ratio (times)	15	7.5
Total Market Capitalization (Rs. Cr.)	600	60

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(P.T.O.)