



HCZ-161100020307 Seat No. \_\_\_\_\_

**M. B. A. (Sem. III) (CBCS) Examination**  
**November / December - 2017**  
**Financial Decision Analysis & Corporate**  
**Restructuring**

Time : 3 Hours]

[Total Marks : 70

**Instruction** : All questions carry equal marks.

- 1 What is meant by corporate restructuring ? Explain 14  
different forms of corporate restructuring.

**OR**

- 1 Explain the five conditions that have to be satisfied 14  
for an amalgamation to qualify as 'amalgamation by way of  
merger'.

- 2 The company needs Rs. 5,00,000 for construction of a 14  
new plant. The following three financial plans are feasible :

- (1) The company may issue 50,000 ordinary share at 10 per  
share.  
(2) The company may issue 25,000 ordinary share at  
Rs. 10 per share 2,500 debenture of Rs. 100 bearing 8%  
rate of interest.  
(3) The company may issue 25,000 ordinary shares at  
Rs. 10 per share and 2,500 preference shares at Rs. 100  
per share bearing 8% rate of dividend.

If the company profit before interest and taxes are  
Rs. 10,000, Rs. 20,000, Rs. 40,000, Rs. 60,000 and  
Rs. 1,00,000. What are the best earning per share under each  
of the three financial plans ? which alternative would you  
recommend and why ? Assume a corporate tax rate of 50%.

**OR**

- 2 (a) Sales 30,00,000, variable cost 70% of sales and 7  
fixed cost Rs. 6,00,000 include 15% interest on  
Rs. 15,00,000 debt. Calculate its operating leverage,  
financial leverage and combine leverage.

- (b) Explain the meaning of leverage and explain the types of leverage. 7

- 3 Following details relate to the two companies : 14

Particulars	Company A	Company B
Equity capital (10 each)	40,000	20,000
10% Debt	10,000	30,000
Total	50,000	50,000
Net operating income	10,000	10,000

*Answer the following :*

- (1) Given the cost of equity of 12% for both the company, calculate the cost of the firm for both company and value of the firm.
- (2) Given the cost of firm 15% for both companies, calculate the cost of equity and value of equity.

**OR**

- 3 What is capital structure ? Explain the characteristics of ideal capital structure. 14

- 4 (a) What is dividend policy ? Explain different type of dividend policy. 7

- (b) What is lease ? Explain the types of lease. 7

**OR**

- 4 

Initial Investment	Rs. 60,000
Life of the asset	4 years

14

Estimated net annual cash flow :

1 <sup>st</sup> Year	15000
2 <sup>nd</sup> Year	20000
3 <sup>rd</sup> Year	30000
4 <sup>th</sup> Year	20000

Compute the internal rate of return and also advise the lessor about the leasing out decision if expected minimum rate of return is 15%.

Present value factor at various rate of discount.

Year	10%	12%	14%	15%	16%
1	0.909	0.892	0.877	0.869	0.862
2	0.826	0.797	0.769	0.756	0.743
3	0.751	0.711	0.674	0.657	0.640
4	0.683	0.635	0.592	0.571	0.552

**5** Write short notes on : (any two)

**14**

- (1) Leverage buyout
  - (2) Management buyout
  - (3) Spin off and split off.
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