MAY 2013

P/ID 77521/PMEE PMBF1

Time : Three hours Maximum : 100 marks

PART A — ($5 \times 6 = 30$ marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Describe dividend valuation model.

2. Explain investment analysis as a prelude to investment decision.

3. To what extent are firms able to establish definite long run dividend policies? What factors would affect these policies?

4. Describe the functions of Industrial Finance Corporation of India.

5. Brief the composition of Indian capital market.

6. How are mergers financed? Analyse the impact of the various modes of finance on a company's EPS.

7. Describe briefly the main features of venture capital.

8. 'Inflation may not encourage fresh investments'. Explain.

PART B — ($5 \times 10 = 50$ marks)

Answer any FIVE questions.

All questions carry equal marks.

9. Explain giving suitable illustrations, the formula given by Walter for determining dividend policy. What are the merits and limitations of this formula in designing the dividend policy for a company?

10. Discuss the role of financial institutions in corporate finance.

11. Evaluate the role of SEBI in regulating the Indian capital market.

12. What is corporate restructuring? Explain the major forms in which it can be carried out.

13. How mutual funds are instrumental to tap the required funds for the development of corporate units?

14. Why Government of India encourages foreign collaborations?

15. Evaluate the role of international financial institutions.

16. What is a put option? Specify whether put option owner expects the share price to rise or fall.

PART C — (20 marks)

($1 \times 20 = 20$)

17. Case study :

Consider the following financial data of A Ltd and T Ltd just before the merger announcement of the latter by the former :

Particulars	A Ltd	T Ltd
Market price per share	Rs. 150	Rs. 30
Number of shares (in lakh)	10	6
Market value (MV) of the firm (Rs. in lakh)	1,500	180

Determine the cost of merger :

(a) If A Ltd intends to pay Rs. 240 lakh in cash to T Ltd ;

(b) If A Ltd intends to offer its 1,60,000 shares in exchange of shares of T Ltd. Assume further, the merger is expected to generate cost savings with present value of Rs. 94.80 lakh. It is expected that these cost savings would push up the market price.

(Note: consider each case independently)

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