

(2 ½ Hours)

[Total Marks : 75

Q.1) a) State whether the following are True or False: (any 8) (08)

1. Price and value are the same concepts.
2. Valuations are highly subjective calculations.
3. Valuation is an art rather than science.
4. Income approach is also called the NAV approach.
5. Absolute valuation is also called valuation using multiples.
6. Free cash flow to firm represents cash flow available only to equity holders.
7. A fixed asset has long term value.
8. Direct costs are easily identified and can be traced to assets directly.
9. Goodwill is a valuable asset.
10. A trademark is an intangible asset that grants the business exclusive right to manufacture or use a specific invention.

b) Match the following: (any 7). (07)

A	B
1. Self constructed asset	a) subjective concept
2. Valuations	b) Reputation of the business
3. Land & Building	c) Labour costs
4. Direct costs	d) Salaries
5. Indirect costs	e) Tangible fixed asset
6. Net asset method	f) Intrinsic value method
7. Fair value	g) Current liability
8. Creditors	h) Average of NAV and yield value
9. Copyrights	i) Build on own
10. Goodwill	j) Exclusive right to reproduce

Q.2)a) Explain factors affecting business valuation. (08)

b) Explain valuation uncertainties. (07)

OR

Q.2)c) Explain the role of valuation in business acquisition. (08)

d) Explain the methods of valuation of a business. (07)

Q.3)a) Explain the DCF valuation method in detail. (08)

b) Explain the Free cash flow valuation . (07)

OR

c) Mr. Suraj intends to buy a machinery which would generate the following cash flows: (08)

Year	0	1	2	3	4
Cash flow(Rs)	(27,000)	6,000	8,000	15,000	8,000
PV Of Re 1 @ 10%	-	0.909	0.826	0.751	0.683

Suggest him if the machinery is worth purchasing.

d) Following information is available:

(07)

Particulars	Rs
Sales	300,000
Cost	220,000
Depreciation	40,000
Tax	30%
Change in working capital	2,000
Change in Capital spending	15,000
Interest	2000
Net borrowings	10,000

Calculate Free Cash Flow to Firm (FCFF) and Free Cash Flow to Equity (FCFE).

Q.4) a) Following is the Balance sheet of Akshay Limited as on 31<sup>st</sup> March 2021:

(15)

Liabilities	Rs	Assets	Rs
Equity share capital (Rs 10 each)	50,00,000	Land	23,00,000
General reserve	15,00,000	Buildings	14,00,000
12% debentures	10,00,000	Plant & Machinery	28,00,000
Creditors	400,000	Debtors	5,00,000
Bank overdraft	500,000	Stock	200,000
Outstanding expenses	100,000	Cash & Bank	800,000
		Patents	300,000
		Preliminary Expenses	2,00,000
<b>TOTAL</b>	<b>85,00,000</b>	<b>TOTAL</b>	<b>85,00,000</b>

The profits of the Company for the last 4 years are as follows:

Year	Rs
2017-2018	12,00,000
2018-2019	15,00,000
2019-2020	21,00,000
2020-2021	23,00,000

Every year 20% of the profits are transferred to General Reserve. The normal rate of return in the industry is taken at 15%. The following revaluations are made by the evaluators:

Asset	Rs
Land	40,00,000
Building	26,00,000
Plant & Machinery	32,00,000
Patents	200,000

Calculate the Fair value of the share of the Company.

OR

Q.4 b) The balance sheet of Ankit Ltd as on 31<sup>st</sup> March 2022 is as follows:.

(15)

Liabilities	Rs	Assets	Rs
Equity share capital(Rs100 each)	600,000	Land & building	500,000
Debentures	200,000	Plant & Machinery	400,000
Creditors	200,000	Debtors	100,000
Bank overdraft	200,000	Stock	200,000
	<u>12,00,000</u>		<u>12,00,000</u>

The net profits of the company after providing for depreciation and Tax are as follows:

Year end	Rs
31 <sup>st</sup> March 2019	50,000
31 <sup>st</sup> March 2020	60,000
31 <sup>st</sup> March 2021	80,000
31 <sup>st</sup> March 2022	100,000

On 31<sup>st</sup> March 2022, all the assets and liabilities were correctly valued except Land & building which was valued at 600,000 and Plant & machinery at Rs 350,000. Consider NRR @ 10%. Calculate value of Goodwill on the basis of 5 years of Super profits.

Q.5) Write short notes on: (any 3)

(15)

1. Price and value
2. Assets acquired in exchange
3. Methods of share valuation
4. Types of intangible assets
5. Valuation bias

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