

Time:2:30

TOTAL MARKS : 75

Q.1) A) State whether the following are true or false: (any 8) (08)

1. Free cash flow to equity represents cash flow available only to equity holders.
2. A fixed asset has long term value.
3. Direct costs are easily identified and can be traced to assets directly.
4. Goodwill is a valuable asset.
5. A trademark is an intangible asset that grants the business exclusive right to manufacture or use a specific invention.
6. Business valuation is conducted to determine the economic value of the business.
7. Price cannot be quantified.
8. It is important to reduce valuation bias and ensure adequate disclosure.
9. Goodwill has realizable value.
10. Intrinsic value is also known as net asset value.

Q.1) B) Match the following: (any 7). (07)

A	B
1. Super profit	a) Admission of partner
2. Patent	b) Reputation of the business
3. Plant & Machinery	c) Labour costs
4. Direct costs	d) Salaries
5. Indirect costs	e) Tangible fixed asset
6. Income approach	f) FMP – Normal profit
7. Fair value	g) Right to manufacture
8. Purpose of Business valuation	h) Average of NAV and yield value
9. Valuation bias	i) Discounted cash flow
10. Goodwill	j) Pre conceived notions

Q.2 A) Explain the valuation process. (08)

B) What is valuation bias and explain the ways to reduce it. (07)

OR

Q.2 C) Explain the purpose of business valuation. (08)

D) Bring out the differences between Price and Value. (07)

Q.3 A) Explain the discounted cash flow method.

(08)

B) Explain relative valuation in detail.

(07)

OR

(15)

Q.3 C) A Company is considering a project. Two projects are available Project A and Project B, each costing Rs 700,000. In comparing the projects, a discounting rate of 10% is to be considered. Expected Cash Flows are as follows:

Year	1	2	3	4	5
Project A	150,000	200,000	225,000	250,000	260,000
Project B	170,000	180,000	200,000	250,000	300,000

Indicate which project should be accepted. The present value of Re 1 @ 10% discounting factor are as follows:

Year	1	2	3	4	5
PV factor	0.909	0.826	0.751	0.683	0.621

(15)

Q.4 A) Following is the Balance sheet of Nilesh Limited as on 31st March 2022:

Liabilities	Rs	Assets	Rs
Equity share capital (Rs 10 each)	5,00,000	Land	230,000
General reserve	150,000	Buildings	140,000
12% debentures	100,000	Plant & Machinery	280,000
Creditors	40,000	Debtors	50,000
Bank overdraft	50,000	Stock	20,000
Outstanding expenses	10,000	Cash & Bank	80,000
		Patents	30,000
		Preliminary Expenses	20,000
TOTAL	850,000	TOTAL	850,000

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

2018-2019	120,000	2020-2021	210,000
2019-2020	150,000	2021-2022	230,000

Every year 20% of the profits are transferred to General Reserve. The normal rate of return in the industry is taken at 12%. The following revaluations are made by the evaluators:

Asset	Rs
Land	250,000
Building	120,000
Plant & Machinery	250,000
Patents	18,000

Calculate the Fair value of the share of the Company.

OR

(15)

Q.4 B) The Balance sheet of Juhi Ltd as on 31st March 2023 is as follows..

Liabilities	Rs	Assets	Rs
Equity share capital (Rs100 each)	500,000	Plant & Machinery	400,000
Debentures	200,000	Furniture	300,000
Creditors	100,000	Debtors	100,000
Bills Payable	200,000	Stock	100,000
		Cash in hand	100,000
TOTAL	10,00,000	TOTAL	10,00,000

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

Year end	Rs
31 st March 2020	70,000
31 st March 2021	80,000
31 st March 2022	90,000
31 st March 2023	100,000

On 31st March 2023, all the assets and liabilities were correctly valued except Plant & Machinery which was valued at 350,000 and Furniture at Rs 270,000. Consider NRR @ 10%. Calculate value of Goodwill on the basis of 4 years of Super profits.

Q.5 A) Explain brand valuation methods.

(08)

B) What is patent? Explain the benefits of patent.

(07)

OR

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

(15)

1. Efficient market hypothesis.
2. Free cash flow valuation.
3. Methods of share valuation.
4. Factors affecting value of Goodwill.
5. Business Valuation.

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