

Time: 2 ½ Hours

Marks: 75

- Note: 1. All questions are compulsory and subject to internal choice.
2. Figures to the right indicate full marks.
3. Working notes should be part of the answer.

Q.1 A) State Whether the following are True/False (Any 8) (8 Marks)

1. Business Valuation is a process of determining the financial value of a business.
2. Put option gives bondholders the right to demand early repayment of the principal from the issuer.
3. 12% Debentures are a part of borrowed fund.
4. Coupon is the interest payment received by a bondholder.
5. High gearing will increase financial risk.
6. EVA is a measure of shareholders' wealth.
7. Patents are an intangible asset.
8. Depreciation is a non cash expenditure.
9. Sales Volume Variance arises due to a difference between budgeted price and actual price.
10. Replacement cost refers to cost involved in replacement of asset of the organisation.

Q.1 B) Match the column (Any 7) (7 marks)

Column 'A'	Column 'B'
1. Sources of fund	a. Asset based Approach
2. Application of fund	b. Share Capital
3. Discounted Cash Flow	c. Earnings Per Share
4. Financial Leverage arises due to	d. Income based Approach
5. Operating leverage arises due to	e. Purchase of Fixed Asset
6. Net Asset	f. Cash flow for firm's investors
7. Weighted Average Cost of Capital	g. Interest
8. FCFF	h. Cash flow for equity shareholders after all expenses and debt
9. FCFE	i. Overall cost of Capital
10. EPS stands for	j. Fixed cost

Q.2 A) Sun Ltd and Moon furnishes the following information regarding its income and expenses: (15 marks)

Particulars	Sun Ltd	Moon Ltd
No of units sold	60,000	15,000
Sales per unit	30	250
Variable Cost	10	75
Tax Rate	30%	30%
Fixed Cost	7,00,000	14,00,000

The details of their capital structure are as follows:

Particulars	Sun Ltd	Moon Ltd
12% Debentures	4,00,000	6,50,000
Equity Share Capital of Rs. 10 each	5,00,000	2,50,000

Prepare Income Statement and Calculate:

- (i) EPS.
- (ii) Operating leverage.
- (iii) Financial leverage.
- (iv) Combined Leverage.

OR

Q.2 B) Mr. Ravi is considering investment in one of the following Rs. 100 bond: **(8 marks)**

Bond	Coupon	Maturity	Price
Bond A	15%	10 years	Rs. 92
Bond B	13%	8 years	Rs. 96

Calculated yield to maturity and state which bond should be selected.

Q.2 C) Write a short note on traditional and modern approach of valuation. **(7 marks)**

Q.3 A) From the following information calculate EVA: **(8 marks)**

Equity Share Capital	12,00,000
12% Preference Share Capital	10,00,000
Reserves and Surplus	7,50,000
13.5% Debentures	6,50,000
Earnings before interest and tax	9,50,000
Tax Rate	30%
Weighted Average Cost of Capital	15.65%

Q.3 B) A Company manufacturing and marketing a product provides the following information: **(7 marks)**

	Units	Price
Budgeted Sales	20,000	3
Actual Sales	26,000	5

Calculate:

- (i) Sale Value Variance
- (ii) Sales Volume Variance
- (iii) Sales Price Variance

OR

Q.3 C) What is intellectual property rights? Explain the methods of valuation of intellectual property rights. **(8 marks)**

Q.3 D) Explain the importance of financial statement analysis. **(7 marks)**

Q.4 A) Punam Ltd took over the business of Pooja Ltd. The following information is extracted from the books of Punam Ltd and Pooja Ltd: **(15 marks)**

	Punam Ltd	Pooja Ltd
Earnings After Tax	5,00,000	1,00,000
No of shares	50,000	25000
P/E ratio	2	1

- Calculate:
1. Market price of shares of both the companies before merger
 2. Number of shares post-merger if swap ratio is 1:10
 3. Post-merger PE ratio
 4. Post-merger EPS
 5. Determine the expected market value of merged firm

OR

Q.4 B) Turquoise Ltd provides the following information: **(8 marks)**

Branded Revenue	1000 p.u.
Unbranded Revenue	240 p.u.
Branded Cost	700 p.u.
Unbranded Cost	200 p.u.
Cost of Research and development	40 p.u.
Number of branded products	1,00,000 units
Number of unbranded products	40,000 units
Tax rate	30%
Capitalization factor	20%

Calculate brand value of Turquoise Ltd

Q.4 C) Write a note on Free Cash Flow to Firm (FCFF) and Free Cash Flow to Equity (FCFE). **(7 marks)**

Q. 5 A) Explain the concept of financial statement analysis. Write a note on components of Income Statement. **(8 marks)**

Q.5 B) Write a note on methods of valuation of brand and real estate. **(7 marks)**

OR

Q.5) Write a short note on (Any 3) of the following: **(15 marks)**

- A) Theory of Growth Analysis
- B) Earnings per share.
- C) Operating and Financial Leverage
- D) Types of Mergers.
- E) Economic Value Added
