

Total No. of Questions : 5]

SEAT No. :

PF12123

[Total No. of Pages : 3

[6648]-821

S.Y.M.B.A.

SE FIN-10 : BUSINESS VALUATION

(2024 Pattern) (Semester-IV)

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Each question carries 10 marks.
- 3) Working Notes form part of your answer. They should be shown neatly and clearly.
- 4) Use of a non-programmable calculator is allowed.

Q1) Attempt any five questions.

[10]

- a) What is the concept of business valuation?
- b) Define the term tangible assets.
- c) Define Due Diligence.
- d) Who values businesses?
- e) Which of the following methods is commonly used in company valuation during M&A?
 - i) Discounted Cash Flow (DCF) Method
 - ii) Attendance Method
 - iii) Time Sheet Method
 - iv) Payroll Method
- f) A company's EPS is ₹12 and the industry P/E ratio is 15. Using Relative Valuation, estimated share price is:
 - i) ₹120
 - ii) ₹150
 - iii) ₹180
 - iv) ₹200
- g) Black-Scholes model is related to:
 - i) Inventory management
 - ii) Bond valuation
 - iii) Option pricing
 - iv) Cost accounting
- h) A franchise allows a business to:
 - i) Close down operations permanently
 - ii) Use another company's business model and brand name
 - iii) Avoid paying taxes
 - iv) Issue shares without approval

P.T.O.

Q2) Attempt any two questions.

[10]

- a) Differentiate between Price and Value with examples.
- b) What are the advantages of the Assets-Based approach?
- c) What is Relative Valuation?

Q3) Attempt any one question.

[10]

- a) Discuss various methods of valuation of intangible assets.
- b) Explain the merger and acquisition process in detail.

Q4) Attempt any one question.

[10]

- a) A Ltd, Pune - projects the following Free Cash Flows to the Firm (FCFF):

Year 1: Rs.20 crore

Year 2: Rs.25 crore

Year 3: Rs.30 crore

After Year 3, FCFF is expected to grow at a constant rate of 3% per year indefinitely. The company's Weighted Average Cost of Capital (WACC) is 12%. Using the Discounted Cash Flow (DCF) method, calculate the Enterprise Value of the firm.

- b)
 - i) Zeal Ltd., has ₹1 crore in assets on the balance sheet, no intangibles, and ₹75 lakhs in liabilities. Determine Price-to-Book Value (P/BV) ratio if market price of share is 5 per share and there are 10 lakhs outstanding shares.
 - ii) An analyst is evaluating the market valuation of a company based on its revenue-generating capacity. One key relative valuation metric is the Price-to-Sales (P/S) ratio. You are required to compute this ratio using the provided financial data.

Given Information

- Current market price per share = ₹200
- Number of outstanding shares = 10 lakh (i.e., 10,00,000 shares)
- Total revenue (sales) of the company = ₹50 crore (i.e., ₹50,00,00,000)

Q5) Attempt any one question.

[10]

- a) DEF Ltd. is a mature company with a stable dividend policy. The company has just paid a dividend of ₹8 per share. Dividends are expected to grow at a constant rate of 5% per year indefinitely. The required rate of return on equity is 12%.

Calculate:

- The expected dividend per share for next year
 - The intrinsic value per share using the Gordon Growth Model
 - The implied growth rate if the current market price is ₹100
- b) From the following Balance Sheet of Sweetex Ltd., you are required to ascertain the value of each equity share of the company:

Balance sheet of Sweetex Ltd.

Liabilities	₹	Assets	₹
20,000 Equity Shares of ₹10 each fully paid	2,00,000	Goodwill	30,000
1,000 6% Preference Shares of ₹100 each fully paid	1,00,000	Land and Building	1,00,000
Reserves	60,000	Plant and Machinery	1,20,000
Sundry Creditors	40,000	Investments (at cost)	60,000
Provision for Taxation	20,000	Stock	50,000
Other Liabilities	10,000	Debtors	40,000
		Cash at Bank	24,000
		Preliminary Expenses	6,000
Total	4,30,000	Total	4,30,000

For the purpose of valuation of shares, the assets were revalued as follows:

- Goodwill valued at ₹50,000
- Land and Building valued at cost plus 50%
- Plant and Machinery valued at ₹1,00,000
- Investments valued at book value
- Stock valued at ₹80,000
- Debtors valued at book value, less 10%

You are required to calculate the value of each equity share using the Net Assets Valuation Method.

