Duration : 2.30 hours **Marks :75**

N.B.: 1. All Questions are compulsory.
2. Working Notes should from part of answer.
3. Figures to the right indicates full marks.
4. Use of simple calculator is allowed.

Q1. A. State whether following statement True or False (Any 8) **(08)**

a. Salvage Value is the sale value of an old asset after its usage.
b. Fair Value of the shares is equal to average of intrinsic value and yield value.
c. Preference dividend is deducted from NPAT for calculation of EPS.
d. Pooling of resources by two or more companies under a common entity is called as merger.
e. Fictitious assets are written off to capital reduction account.
f. Appreciation in land and building is debited to capital reduction account.
g. Cost of asset is cash outflow to lessee.
h. Annual lease rental is considered as cash outflow for lessor.
i. MPBF refers to Minimum Permissible bank finance.
j. Depreciation is an external source of finance.

Q1.B. Match the Column (Any 7) **(07)**

Column A	Column B
1.Super Profit	a. Initial Payment
2.Normal rate of return	b. Excess of FMP over Normal Profit
3.Horizontal Merger	c. Rate of Interest Plus Rate of Risk
4.Conglomerate	d. Merger of unrelated line
5.Creditors accepting part payment	e. Two Companies in the Same line
6.Loss on Revaluation of asset	f. Compromise
7.Hire Purchase Price	g. Debit Capital Reduction
8.Down Payment	h. Cash Price Plus Interest
9.Bill Payable	i. Normal Profit over FMP
10.Working Capital Finance	j. Cash Price less Interest
	k. Spontaneous Source of Finance
	l. Provided against inventories

Q2.A. The Balance Sheet of Abhishek Ltd. as on 31/03/2023 is as follows: **(15)**

Balance Sheet As On 31/03/2023

Liabilities	Amount Rs.	Assets	Amount Rs.
4,000 Equity share of Rs. 100 each	4,00,000	Land & Building	2,20,000
General Reserve	40,000	Plant & Machinery	2,60,000
Profit & Loss A/c	64,000	Patent & Trademark	44,000
Creditors	2,56,000	Stock	60,000
Income Tax (provision)	1,20,000	Bank	1,04,000
		Preliminary Expenses	24,000
		Debtors	1,68,000
	8,80,000		8,80,000

1. The assets are valued as under:

Land & Building	Rs. 3,80,000
Goodwill	Rs. 2,80,000
Plant & Machinery	Rs. 2,82,500

2. Out of total Debtors it was found that debtors of Rs. 8,000 are bad.
3. The profits of the Company has been as follows:

YEAR	Rs.
2020-2021	1,60,000
2021-2022	1,80,000
2022-2023	2,12,000

4. The Co. follows the practise of transferring 25% of profits to General Reserves.
5. Similar type of business earns 10%.

Calculate the value of business under:

a. Intrinsic Value
b. Yield Value
c. Fair Value

OR

Q2.B. Calculate EVA from the following on March 2022 for ZT Ltd **(08)**

Financial Leverage	1.4 times
Equity Capital	Rs 340 lakhs
Reserves and Surplus	Rs 260 lakhs
10 % Debentures	Rs 800 lakhs
Cost of Equity	17.5%
Income Tax rate	30 %

Q2.C. Calculate MVA from the following information of Beta Ltd. **(07)**

Liabilities	**Amt (in Lakhs)**	**Assets**	**Amt (in Lakhs)**
Equity share capital of Rs 10 each	2,400	Buildings	3,600
Retained earning	1,200	Machinery	1,600
8% Term loan	1,600	Stock	200
Bills Payable	700	Debtors	160
Provision	860	Bank	1200
	6760		**6760**

Profit after Tax (PAT) = Rs 4,542 P/E Ratio = 2

Q3.A. The following information is provided related to the acquiring firm S Limited and the target firm T limited. **(15)**

Particulars	S Limited	T Limited
Earning After Tax	Rs 8,000 lakhs	Rs 600 lakhs
Number of Shares	800 lakhs	300 lakhs
P/E ratio (Times)	10	5

Required:

1. What is the swap ratio based on current market price?
2. What is the EPS of S Limited after acquisition ?
3. What is the expected market price per share of S Limited after acquisition assuming P/E ratio of T Limited remains unchanged ?
4. Determine the market value of the merged firm
5. Calculate gain/loss for shareholders of the two independent companies after acquisition.

OR

Q3.B. The balance sheet of VST limited as on 31/03/2022 as follows: **(15)**

Balance sheet as on 31/03/2022

Liabilities	Rs.	Assets	Rs.
Equity share of Rs. 100 each	1,00,00,000	Fixed asset	1,50,00,000
6% cumulative preferences of Rs.100 each	50,00,000	Investments (market value rupees 19,00,000)	20,00,000
5% debentures of Rs. 100 each	40,00,000	Current assets	60,00,000
Sundry creditors	50,00,000	Profit and loss A/C	12,00,000
Provision for taxation	2,00,000		
	2,42,00,000		**2,42,00,000**

The following scheme of internal reconstruction is sanctioned

1. All the existing Equity Shares are reduced to Rs 40 each
2. All Preference Shares are reduced to Rs 60 each
3. The rate of interest on debentures increased to 6%. The debenture holders surrender their existing the debenture of rupees 100 each and exchange the same for Fresh debentures of Rs 70 is for every debenture held by them.
4. Fixed Asset are to be written down by 20%
5. Current Assets are to be valued at Rs 46,00,000
6. Investments are to be brought to their market value
7. One of the creditors of the company to whom the company owes rupee 40,00,000 decides to forgo 40% of his claim and was allotted with 60,000 equity shares of rupees 40. each in full and final settlement of his claim.
8. The taxation liability is to be settled at rupees 3,00,000
9. It is decided to write of debit balance of profit and loss account

You are required to:

1. Pass necessary journal entries
2. Balance sheet after reduction.

Q4.A. AB Ltd requires an equipment costing 2,00,000 the same will be utilized over the period of 5 years it has 2 financing option in this regard. The Salvage value of Equipment at the end of 5th year is zero. The company uses straight line depreciation. Assume tax rate is 40 % **(15)**

Option 1:

To buy with borrowed fund at the cost of 18% p.a repayable in 5 equal instalments of Rs 64,000 p.a

Option 2:

To take equipment on lease and on an annual rent of Rs 32,000

Discount Factor at 18%

Year	Value
1	0.847
2	0.718
3	0.609
4	0.516
5	0.437
Total	3.127

Advise the company which option should go for if internal rate of return 18%

OR

Q4.B. MCO ltd issued commercial paper worth RS 20 crores as per following details **(08)**

Date of Issue	16/01/2022
Date of Maturity	17/04/2022
No of Days	91
Interest Rate	12 % p.a

What was the amount received by the company on issue of commercial paper (Changes of intermediary may be ignored) (Assume number of days in a year is assumed to be 365 days)

Q4.C. A firm has total credit sales of Rs 2,00,00,000 and its average collection period is 80 days. Bad debts are around 1% of credit sale. The firm spends Rs 2,20,000 per year on administer credit sale. A factor is prepared to buy firm receivable. He will advance receivable to the firm at 18 % interest after keeping 10 % as reserve. Suggest whether the company should opt for inhouse management of debt and or factoring service (Assume number of days in a year is assumed to be 360 days) **(07)**

Q5.A. Distinguish between Merger and Takeover **(08)**

Q5.B. Explain different types of leases? **(07)**

OR

Q5. Write note on the following (Any 3) **(15)**

a. Variations of Shareholders rights
b. Retained Earning
c. Types of Factoring
d. Certificate of Deposit
e. Synergy