

Duration : 2 ½ Hours

Marks :75

- N.B.: 1. All Questions are compulsory.**
2. Working Notes should form part of answer.

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

- P/E ratio is a relationship between MP and EPS
- Yield Value depends on Net Assets
- A buyout agreement is known as merger
- Combination of two or more companies results into synergy
- De- Merger is also called as Spin off
- Cancellation of Contingent liability is treated as Profit to the company
- Capital Reduction account balance is utilized for issue of bonus shares
- Lease Rental reduces tax liability of the lessee
- Cash Price includes interest
- Factoring is financing of debtors

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

Column A	Column B
1.EVA	a) Owner of the asset
2. Yield Value	b) Seller of Goods on Hire Purchase
3.EPS	c) Initial Payment
4.Merger	d) Spontaneous source of Finance
5. Surrender of Shares	e) NOPAT
6.Expenses for Reconstruction	f) Based on FMP
7. Lessor	g) NPAT -Preference dividend /No of equity share
8.Hire Vendor	h) New Company is formed
9. Down Payment	i) Unchanged Capital
10. Bills Payable	j) Debit Capital Reduction Account
	k) Credit Capital Reduction Account

Q2.A. The Balance Sheet of A Ltd. as on 31/03/2024 is as follows:**(15)****Balance Sheet As On 31/03/2024**

Liabilities	Amount ₹	Assets	Amount ₹
6,000 Equity share of ₹ 100 each	6,00,000	Land & Building	3,20,000
General Reserve	40,000	Plant & Machinery	2,60,000
Profit & Loss A/c	64,000	Patent & Trademark	1,44,000
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
	10,80,000		10,80,000

1. The assets are valued as under:

Land & Building	₹ 6,80,000
Goodwill	₹ 2,80,000
Plant & Machinery	₹ 2,82,500

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

YEAR	₹
2021-2022	1,60,000
2022-2023	1,80,000
2023-2024	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 2024 for YT Ltd

(08)

Financial Leverage	1.2 times
Equity Capital of Rs 100 each	Rs 45,00,000
Reserves and Surplus	Rs 35,00,000
10 % Debentures	Rs 60,00,000
Dividend Expectations of equity shareholders	16%
Income Tax rate	30 %

Q2.C. From the following information determine value of business:

(07)

FMP after Tax	95,00,000
1,50,000 10% Preference Shares Rs. 100 each	1,50,00,000
Equity Shares 70,00,000 of 10 each	7,00,00,000
P/E Ratio	5 times

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 7,000 lakhs	Rs 500 lakhs
Number of Shares	700 lakhs	250 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 S Limited remains unchanged ?
4. Determine the market value of the merged firm

OR

Q3.B. Following is the Summary Balance-sheet of M/s. S Ltd. as on 31-03-2022 (15)

Liabilities	Amt	Assets	Amt
Equity shares of ₹ 10 each	10,00,000	Fixed assets	21,00,000
12% Cumulative Preference Shares of ₹ 100 each	7,00,000	Stock	20,00,000
10% Debenture	3,00,000	Sundry Debtors	15,00,000
Sundry Creditors	36,00,000	Bank	1,10,000
Provision for Tax	5,00,000	Share issue Expenses	40,000
		Profit and Loss Account	3,50,000
	61,00,000		61,00,000

Note: Preference dividend for 3 years was in arrears.

Following scheme of reconstruction was approved:

- Write off Fixed assets by 20%, Sundry Debtors by 15%, and reduce the value of stock to 55% of its book-value.
- Preference shareholders to forego arrears of preference dividend.
- Directors to give temporary loan of 5,00,000 to Company.
- The Company settled tax liability to the extent of 5,40,000 and to meet the expenses of reconstruction amounted to 10,000.
- Sundry Creditors to give a remission of 20% of their claims and a company to allot 11% Preference shares of 100 each fully paid up in settlement of the balance amount.
- 10% debentures to be converted into 13% Debentures of 1,60,000 in full settlement of their claim.
- Equity shares to be reduced to 2 each fully paid up and 12% cumulative Preference shares to be reduced to 1,00,000 cumulative Preference shares of 2 each fully paid up.
- Write off debit balance in Profit and Loss Account and Share issue Expenses.

Draft journal entries and prepare Capital Reduction Account and Balance sheet after reconstruction.

Q4.A. Z Ltd. is considering to acquire a machine costing 20,00,000. (15)

Life of the machine is 10 years with no residual value. It has following two options:

1. To purchase the machine by taking loan repayable in 10 years and equal installments. Rate of interest is 16% p.a. machine will be depreciated by Straight Line Method (SLM).
2. To take a machine on lease from leasing company. Lessor requires the assets to be completely amortized over its useful life and the assets will yield him return of 10%. Such lease rentals are payable at the end of the year.

Applicable tax rate is 50% As a financial consultant advise the company whether it should buy or lease the machine.

OR

Q4.B. From the following particulars calculate the effective rate of interest p.a. as well as the total cost of fund to B Ltd which is planning as CP Issue (07)

- a. Issue Price of CP = Rs 97,550
- b. Face Value = Rs 1,00,000
- c. Maturity Period = 3 Months
- d. Issues Expenses:
Brokerage = 0.15 % for 3 months
Rating Charges = 0.50 % p.a.
Stamp Duty = 0.175% for 3 months

Q4.C. A firm has total credit sales of Rs 1,60,00,000 and its average collection period is 80 days. Bad debts are around 1% of credit sale. The firm spends Rs 2,40,000 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. What are the short-term sources of working capital finance? (08)

Q5.B. Explain different types of Mergers? (07)

OR

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

- a. Advantage of Leasing
- b. Franchising
- c. Factoring
- d. Types of Synergy
- e. External Reconstruction