

Duration : 2.30 hours.

Marks: 75

- N.B. :** (a) All questions are compulsory.  
 (b) Working notes should form part of your answer.  
 (c) Proper presentation and neatness are essential.  
 (d) Figures to the right indicate full marks.

Q.1.

- A. Select the correct alternative from the choices given below and rewrite the statement:  
 [Any Eight]

[08]

1. \_\_\_\_\_ is the current market value of the firm subtracted by the invested capital.
  - a. Value added
  - b. Economic Value Added
  - c. Market Value Added
  - d. Market Capitalisation
2. Super Profit = \_\_\_\_\_ - Normal Profit
  - a. Past Profit
  - b. Present Profit
  - c. Future Maintainable Profit
  - d. Average of Past and Present Profit
3. The basic reason for \_\_\_\_\_ merger is to take advantage of the provisions of Income Tax which allows a company to carry forward its losses to set off against its future profits.
  - a. Congeneric
  - b. Conglomerate
  - c. Reverse
  - d. Vertical
4. If a company's Market Price per share is Rs.80 and Earning Per Share is Rs.16. What is the P/E Ratio?
  - a. 0.2 times
  - b. 5 times
  - c. 40 times
  - d. 20 times
5. Which of the following is not a usual method of calculation of Swap Ratio.
  - a. Market Price per Share
  - b. Earnings Per Share
  - c. Net Asset Value
  - d. Economic Value Added
6. Preliminary expenses are one type of \_\_\_\_\_.
  - a. Fixed Asset
  - b. Fictitious Asset
  - c. Current Asset
  - d. Owners Fund
7. If Debenture Holders forgo part of their claims, then \_\_\_\_\_ account will be credited under internal reconstruction
  - a. Capital Reduction
  - b. Debenture
  - c. Debenture Holders
  - d. Share Capital

8. In case of Hire Purchase of an asset, Hire Purchase Price includes \_\_\_\_\_
- Down payment
  - Cost price
  - Cost Price + Interest
  - None of the above
9. The purchase of goods on credit obtains a \_\_\_\_\_ from a bank.
- Letter of debit
  - Letter of credit
  - Bank notice
  - Pass book
10. \_\_\_\_\_ is a short – term financial instrument
- Certificate of Deposit
  - Cheque
  - Bills Receivable
  - Debentures

Q.1.

B. State whether the following statements true or false. [Any Seven]

[07]

- Share capital is considered as one of the external liabilities during calculation of Net Asset Value
- Expected Rate of Return calculation depends on Net Asset Value
- Merger of profit-making firm with loss making firm is known as Conglomerate Merger
- Synergy is one of the reasons for failure of merger
- When an unrecorded liability is paid off Capital Reduction Account is credited
- Goodwill is written off using Capital Reduction account balance
- During hire purchase ownership is transferred to the buyer on payment of all instalments
- Lessor is the person who owns the asset
- Down payment is the initial payment.
- Factor acts as the mediator between client and customer

Q.2.

Following is the summarised balance sheet of ABC Ltd. As on 31<sup>st</sup> March, 2024.

[15]

A.

Liabilities	Rs.	Assets	Rs.
<b>Share capital:</b>		Land and Building	2,30,000
600, 10% Preference Shares of Rs.100 each fully paid	60,000	Plant and machinery	2,50,000
6,000 Equity Shares of Rs.100 each fully paid	6,00,000	Stock	1,10,000
Reserves and surplus	1,50,000	Debtors	40,000
Secured loan:		Cash at bank	1,50,000
600, 9% Debentures of Rs.100 each	60,000	Cash in hand	60,000
Sundry creditors	60,000	Investment in 10% Govt. Securities	50,000
		Preliminary expenses	40,000
	9,30,000		9,30,000

1. The profits of the company have been as follows:

YEAR	Rs.
2021-22	76,000
2022-23	84,000
2023-24	68,000

2. The industry average rate of return is 10% of the share value.  
 3. On 31<sup>st</sup> March, 2024 the value of assets is as follows:

Assets	Rs.
Goodwill	2,07,000
Land and building	2,40,000
Plant and machinery	2,40,000
Stock	1,20,000
Debtors	30,000
Investment in 10% Govt. Securities	60,000

On the basis of above information calculate the value of equity shares of company by,

- Net Asset Method
- Yield Method
- Also calculate fair value considering above methods.

OR

Q.2. Calculate EVA from the following information of XYZ Ltd. [08]

B. Equity Share Capital	Rs.10,00,000
15% Preference Share Capital	Rs.4,00,000
Reserves and Surplus	Rs.12,00,000
14% Debentures	Rs.6,00,000
Profit before tax	Rs.4,00,000
Tax rate	40%
WACC	13%

Q.2.C. Calculate MVA from the following information of Shlok Ltd. [07]

Balance sheet of Arjun Ltd. As on 31<sup>st</sup> March, 2024

Liabilities	Rs. in lakhs	Assets	Rs. in lakhs
Equity share capital of Rs.10 each	600	Building	900
Retained earnings	300	Machinery	400
8% term loan	400	Stock	50
Bills payable	175	Debtors	40
Provisions	215	Bank	300
	1,690		1,690

Profit After Tax (PAT) = Rs.1,136 (in lakhs), P/E Ratio = 2.

Q.3. PQR Ltd. is intending to acquire XYZ Ltd. and the following information is available in respect of both the companies. [15]

Particulars	PQR Ltd.	XYZ Ltd.
Total Earnings (Rs.)	3,00,000	1,20,000
Number of shares outstanding	50,000	30,000
Market Price per share (Rs.)	24	12

- Calculate the present EPS of both the companies
- If the proposed merger takes place what would be the new Earnings Per Share after merger (assuming merger takes place based on the current market price)?
- What should be the exchange ratio if XYZ Ltd. wants to ensure same earnings to shareholders as before merger took place.

OR

Q.3. Following is the balance sheet of Saloni Ltd. as on 31<sup>st</sup> March, 2024.

[15]

B. Balance Sheet

Liabilities	Rs.	Assets	Rs.
Share capital:		Goodwill	3,40,000
1,60,000 Equity Shares of Rs. 5 each fully paid	8,00,000	Land & Buildings	2,60,000
4,000 6% cumulative Preference Shares of Rs. 100 each fully paid	4,00,000	Equipment	2,50,000
8% Debentures (Rs. 100 each)	4,00,000	Sundry Debtors	2,40,970
Bank Overdraft	1,50,000	Stock	3,30,340
Sundry Creditors	3,40,360	Investment	45,450
(Including Rs. 20,000 interest on Bank Overdraft)		Cash at Bank	20,240
		Profit & Loss A/c	6,03,360
	20,90,360		20,90,360

Preference dividend in arrears for five years.

Following scheme of reconstruction was approved by the court.

1. Equity shares to be reduced to Rs. 1.25 each and then to be consolidated into shares of Rs. 10 each.
  2. 6% preference shares to be reduced to Rs. 40 each and then to be subdivided into shares of Rs. 10 each.
  3. Interest accrued but not due on 8% Debentures for half year ended 31<sup>st</sup> March 2024 has not been provided in the above balance sheet. The Debenture Holders have agreed to receive 40% of the interest in cash immediately and provision for the balance to be made in the books of account.
  4. Rs. 24,000 be paid to preference shareholders in lieu of arrears of preference dividend.
  5. Bank has agreed to take over 50% of stock in full satisfaction of its claim including interest. The remaining stock be revalued at Rs. 1,20,000.
  6. The Debenture Holders have also agreed to accept equal number of 9% Debentures of Rs. 60 each in exchange of 8% Debenture of Rs. 100.
  7. Investment be sold for Rs. 40,000
  8. Tangible Fixed Assets be appreciated by 20%. Goodwill be written off in full and provision be made for doubtful debts of Rs. 20,000.
- Give journal entries for the above scheme of reconstruction.

Q.4. Anushka Ltd. Requires an equipment costing Rs. 2,00,000 the same will be utilized [15]

A. over the period of 5 years it has two financing option in this regard. The salvage value of equipment at the end of 5<sup>th</sup> year is zero. The company uses straight line depreciation. Assume tax rate is 40%.

**Option 1:**

To buy with borrowed fund at the cost of 18% p.a. payable 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%

Advise the company which option should go for if Internal Rate of Return is 18%

OR

- Q.4. Shashank Ltd. has a total sale of Rs. 6.4 crores and its average collection period is 90 days. The past experience indicates the bad-debt losses are 1.5% of sales. The expenditure incurred by the firm in administering its receivables are Rs.10,00,000. A factor is prepared to buy the firm's receivables by charging 2% commission. The factor will pay an advance on receivables to the firm at an interest rate of 18% p.a. after withholding 10% as reserve. Calculate the effective cost of factoring to the firm. [15]

- Q.5. A. What are the various approaches to the valuation of business? [08]  
B. What do you mean by Factoring? Give a note on Recourse and Non-Recourse Factoring. [07]

OR

- Q.5. Short Notes: [Any Three] [15]  
a. Mechanism of Leasing  
b. Working Capital Financing  
c. Types of Mergers  
d. Certificate of deposit  
e. External Reconstruction

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