

Marks: 75

Duration: 2.5 hours

- General Instructions:
1. All questions are compulsory.
  2. Figures to the right indicate full marks.
  3. Use of simple calculator is allowed.

Q. 1. A Match the Following (Any 8 out of 10)

(8)

Column A		Column B	
1	Market value added	A	Maximum 3 years
2	Vertical Merger	B	Valuation of equity share
3	Section 100 of Companies Act	C	70% to 80% of Debtors value
4	Capital Reserve	D	Collateral for short term loan
5	Operating lease	E	Interest rate
6	Coupon rate	F	A short term lease that is often cancellable
7	Stock of Goods	G	Balance of Capital Reduction
8	Finance Factoring	H	Govern Capital Reduction
9	Net Asset Value Method	I	Car manufacturer and tyre company
10	Public Deposit	J	Assess performance efficiency

Q. 1 B. State whether the following statements are True or False (Any 7 out of 10)

(7)

- a. Goodwill is written off using Capital Reduction account balance
- b. During hire purchase ownership is transferred to the buyer on payment of all instalments
- c. Lessor is the person who owns the asset
- d. Hire Purchase Price includes interest
- e. Factor acts as the mediator between client and customer
- f. Corporate Demerger is a form of corporate restructuring
- g.  $MVA = \text{Gross Operating profits after taxes} - (\text{Total capital} \times \text{WACC})$
- h. Net assets Available for Equity shareholders = Total assets – Total liabilities
- i. A merger is a acquisitions of two firms in which only one firm identity survives
- j. A coffee shop merging with coffee bean supplier is example of horizontal merger

Q. 2 A. Following is the summarized balance sheet of ABC Ltd. As on 31<sup>st</sup> March, 2024.

(15)

abilities	Rs.	Assets	Rs.
<b>Share Capital:</b>		<b>Fixed Assets:</b>	
600, 10% Preference Shares of Rs.100 each	60,000	Land and Building	2,30,000
6,000 Equity Shares of Rs.100 each	6,00,000	Plant and Machinery	2,50,000
<b>Reserves and Surplus</b>	1,50,000	<b>Current Assets:</b>	
<b>Secured Loan:</b>		Stock	1,10,000
600, 9% Debentures of Rs.100 each	60,000	Debtors	40,000
<b>Current Liabilities:</b>		Cash at Bank	1,50,000
Sundry Creditors	60,000	Cash in Hand	60,000
		<b>Investments &amp; Other Assets:</b>	
		Investment in 10% Govt. Securities	50,000
		Preliminary Expenses	40,000
<b>Total</b>	<b>9,30,000</b>	<b>Total</b>	<b>9,30,000</b>

All the assets were independently valued at Rs. 10, 80,000. The Company earned net profits for the last five years as follows:  
Rs. 90,000; Rs. 94,000; Rs. 92,000; Rs. 88,000; Rs. 96,000

It was decided to set aside 10% of the profits towards General Reserve. This proportion was considered reasonable in the industry in which the company was engaged and where a fair investment return may be taken at 10%.

Find out the value of equity shares of the company by the:

- i) Intrinsic Value method
- ii) Yield Value method
- iii) Fair Value method

OR

Q.2 B. Calculate EVA from the following information of Aaksha LTD.

Particulars	Rs. in Lakhs
Average Debt	60
Average Equity	240
Profit After Tax, before exceptional items	140
Interest After Taxes	0.5
Cost of Debt (Post Tax)	7.50%
Cost of Equity	15%

(8)

C Determine Market value of business from the following data

FMP after tax	Rs 80,00,000
1,00,000, 10% Preference shares of Rs 100 each	1,00,00,000
50,00,000 equity shares of Rs 10 each	5,00,00,000
P/E ratio	9 times

(7)

Q.3 A. Following is the financial statements of two companies:

Particulars	Sun Ltd.	Bun Ltd.
EAT (Rs)	10,00,000	7,00,000
Equity shares outstanding	2,00,000	1,00,000
EPS (Rs)	5.00	7.00
MPS (Rs)	35	35

(15)

Sun Ltd is acquiring Bun Ltd.

The exchange ratio is based on the market prices of the shares of two companies

- i) Determine the P/E Ratio of Sun Ltd. & Fun Ltd.
- ii) Determine the swap ratio.
- iii) What will EPS be subsequent to the merger?
- iv) Determine the market value of shares after merger.
- v) Ascertain the gain accruing to shareholders of both the firms.

OR

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

(15)

## 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 (Including Rs. 20,000 interest on Bank Overdraft)	3,40,360	Investment	45,450
		Cash at Bank	20,240
		Profit & Loss A/c	6,03,360
<b>Total</b>	<b>20,90,360</b>	<b>Total</b>	<b>20,90,360</b>

Preference dividend in arrears for five years.

Following scheme of reconstruction was approved by the court.

- Equity shares to be reduced to Rs. 1.25 each and then to be consolidated into shares of Rs. 10 each.
- 6% preference shares to be reduced to Rs. 40 each and then to be subdivided into shares of Rs. 10 each.
- 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.
- Rs. 24,000 be paid to preference shareholders in lieu of arrears of preference dividend.
- 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.
- 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.
- Investment be sold for Rs. 40,000
- 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 A.

(15)

An equipment costing Rs. 5,00,000 with a five-year life, can be leased for 5 years for payment of Rs. 1,20,000 per year at the end of each year. Alternatively, you can borrow Rs. 5,00,000 and buy the equipment, 6% interest is payable on the outstanding balance at the close of each year, the principal being repayable in 5 equal instalments.

You are required to compute depreciation at 20% on the original cost p.a. corporate tax is to be reckoned at 50% and a fair return of 10% after tax is expected on the business funds.

The present value factors for discounting at 10% are as follows:

Years	DF @ 10%
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

Present your choice, with comparative analysis and suggest better option.

OR

Q. 4 B. A manufacturing has a total sale of 2,60,00,000 and its average collection period is 90 days: The past experience indicates that bad debts losses are around 1.50% of Credit Sales. The firm spends Rs. 5,00,000 on administrating its sales which include salary of one officer and 3 clerical personnel who handle credit checking a collection etc. A Factor is prepared to forward to buy the firm receivable by charging (two) 2% commission. A factor will pay advance receivable to a concern at interest rate of 18% after withholding 10% as reserve. Suggest whether the company should opt for in house management of debt and or factoring service. (8)

C. Sigma Co. Ltd. issued commercial paper worth Rs. 8crores as per following details: (7)

Date of issue = 16/01/2023

Date of Maturity = 17/04/2023

No. of days = 91

Interest rate = 12.50% p.a.

What was the amount received by the company on issue of commercial paper?

(Assume number of days in a year to be 360)

Q. 5 A. What are the various approaches to the valuation of business? (8)

B. Discuss different types of leases (7)

OR

Q. 5 C. Write short notes on the following: (Any three) (15)

1. Working Capital Financing

2. Internal Reconstruction

3. Types of Mergers

4. Certificate of deposit

5 External Reconstruction

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