Time: 2.30 Hrs **75 MARKS**

Q.1) a) State whether the following are true or false: (any 8) (08)

1. Income approach involves using the discounted cash flow.
2. Relative valuation is also called valuation using multiples.
3. Free cash flow to equity represents cash flow available only to equity holders.
4. A fixed asset has long term value.
5. Price cannot be quantified and is a subjective concept.
6. It is important to reduce valuation bias.
7. Goodwill is an intangible fixed asset which has realizable value.
8. Intrinsic value is also known as net asset value.
9. P/E ratio is the relationship between market price and EPS.
10. Valuation involves the risk of uncertainty.

b) Match the pairs: (any 07) (07)

A	B
1. Price	a) FMP- Normal profit
2. Value	b) Reputation of the business
3. Patents	c) Subjective concept
4. Goodwill	d) Can be quantified
5. Super Profit	e) Right to manufacture
6. Installation cost of asset	f) Build on own
7. General office costs	g) Long term liability
8. Self-constructed asset	h) Assigned to the cost of Fixed asset
9. debentures	i) NAV of share
10. Intrinsic value	j) Not assigned to cost of Fixed Asset

Q.2) a) Distinguish between price and value. (08)

b) Explain the factors affecting business valuation. (07)

OR

Q.2) c) Explain the objectives of business valuation. (08)

d) Explain valuation uncertainties. (07)

Q.3) a) Explain the DCF valuation method with its merits & demerits (08)

b) Explain the Free cash flow valuation. (07)

OR

Q.3) c) A machinery costs Rs 250,000 and is expected to produce the following cash flows: (08)

Year	1	2	3	4	5	6
Cash Inflow (Rs)	50,000	57,000	35,000	60,000	40,000	30,000
PV @ 12%	0.892	0.797	0.711	0.635	0.567	0.507

Is it worth purchasing the machinery @ 12% cost of capital?

d) From the following information, calculate Free cash flow to firm (FCFF) and Free cash flow to Equity (FCFE). (07)
Sales Rs 200,000, Cost Rs 150,000, Depreciation Rs 20,000, Tax is 30%, Change in Net working capital Rs 2,000, Change in Capital Spending Rs 8,000, Interest Rs 5000, Net borrowings Rs 12,500.

Q.4) a) Following is the Balance sheet of Ankit Limited as on 31st March 2023: (15)

Liabilities	Rs	Assets	Rs
Equity share capital (Rs 10 each)	50,00,000	Land	23,00,000
General reserve	15,00,000	Buildings	14,00,000
12% Bank Loan	10,00,000	Furniture	28,00,000
Creditors	400,000	Debtors	5,00,000
Bank overdraft	500,000	Stock	200,000
Outstanding expenses	100,000	Cash & Bank	800,000
		Trademarks	300,000
		Share Issue Expenses	2,00,000
TOTAL	85,00,000	TOTAL	85,00,000

The profits of the Company for the last 4 years are as follows:

Year	Rs
2019-2020	12,00,000
2020-2021	15,00,000
2021-2022	21,00,000
2022-2023	23,00,000

Every year 20% of the profits are transferred to General Reserve. The normal rate of return in the industry is taken at 15%. The following revaluations are made by the evaluators:

Land	40,00,000	Furniture	32,00,000
Building	26,00,000	Trademarks	200,000

Calculate the Fair value of the share of the Company.

OR

Q.4 b) The Balance sheet of Tushar ltd as on 31st March 2023 is as follows: (15)

Liabilities	Rs	Assets	Rs
Equity share capital (Rs100 each)	10,00,000	Land & building	440,000
General reserve	206,000	Plant & Machinery	190,000
Creditors	154,000	Debtors	400,000
Bank overdraft	40,000	Stock	310,000
Bills Payable	240,000	Bills Receivable	300,000
TOTAL	16,40,000	TOTAL	16,40,000

The net profits of the company after providing for depreciation and Tax are as follows:

Year end	Rs
31st March 2019	170,000
31st March 2020	190,000
31st March 2021	192,000
31st March 2022	180,000
31st March 2023	200,000

On 31st March 2023, all the assets and liabilities were correctly valued except Land & building which was valued at 500,000 and Plant & machinery at Rs 300,000. Consider NRR @ 12%. Calculate value of Goodwill on the basis of 4 years of Super profits.

Q.5) Write short notes on: **(any 3)** (15)

1. Efficient market hypothesis.
2. Methods of business valuation.
3. Patents as an intangible asset.
4. Self-constructed asset.
5. Net asset method.

*****THE END*****