Paper / Subject Code: 43818 / Business Valuation

TYBFM (Sem- V) October 2018 Examination

2 ½ HRS 75 Marks

Q.1A Match the Column. (Any 8) (08 Marks)

A	B
1. Assets	a. Build on its own
2. Asset Based Approach	b. Assets - liabilities
3. Value	c. What we own
4. Capital employed	d. Net asset Value
5. Self-constructed Asset	e. worth as estimated
6. Market based approach	f. Distinctive identity
7. DCF	g. Principle of Substitution
8. Brand	h. Excess over normal Profits
9. yield value	i. Time Value of Money
10. Super profit	j. Market value method

Q.1B State whether following statements are True or False (Any 7) (07 Marks)

1. Valuations are highly subjective calculations
2. Relative value approach is also known as market based approach.
3. Intrinsic value indicates Earning value of the shares
4. Goodwill has realizable value.
5. Brand valuation has creditability.
6. Under net asset value shares are valued on the basis of ERR and NRR.
7. A self-constructed asset is a one that a business purchase under its own management.
8. Valuation is an art not a science.
9. A fixed asset is a resource purchased for business use that has short term value
10. Fair value of shares indicates average of intrinsic value and yield value.

Q.2 A) Discuss the purpose of business valuation. (08 Marks)

B) What is the role of valuation in business acquisition? (07 Marks)

OR

Q.2 C) what is valuation bias? How we can mitigate the effects of bias? (08 Marks)

D) Distinguish between Price and value. (07 Marks)

Q.3 A) Explain Free cash flow valuation. (08 Marks)

B) Calculate Discounted Cash flow from the following. (07 marks)

Year	1	2	3	4	5
CIF (Rs.)	18000	20000	22000	20000	25000
P/V factor @ 10%	0.909	0.826	0.751	0.683	0.620

Cost of Investments Rs. 60000 & Cost of Capital is 10%.

OR

Q.3 C) What is Relative valuation approach? (08 Marks)

D) Calculate Discounted Cash flow from the following. (07 marks)

Year	1	2	3	4	5
CIF (Rs.)	18000	20000	22000	20000	25000
P/V factor @ 12%	0.892	0.797	0.711	0.635	0.567

Cost of Investments Rs. 50000 & Cost of Capital is 12%.

Q.4 A) Following is the Balance Sheet of Indian Corporation Ltd. as on 31st March, 2018.

Liabilities	Rs.	Assets	Rs.
Equity Share capital of Rs. 10 each	6,00,000	Goodwill	2,00,000
8% Preference Share Capital of Rs. 100 each	4,00,000	Fixed assets	7,00,000
9% Debentures	2,00,000	Stock	2,00,000
Creditors	1,50,000	Debtors	1,50,000
Other liabilities	1,00,000	Cash	1,00,000
		Bank	50,000
		Preliminary Expenses	50,000
	14,50,000		**14,50,000**

Average Net Profit After Tax Of the company is Rs. 1, 80,000. NRR is 10%

You are require to value the shares of the company on the basis of

1.Net Asset basis 2. Yield Value basis 3. Fair Value basis. (15 Marks)

OR

Q.4 B) Following is the Balance sheet of Gomti Ltd. as on 31st March, 2018

Liabilities	Rs.	Assets	Rs.
Equity Share capital of Rs. 10 each	1,00,000	Building	44,000
Profit and Loss A/c	21,000	Machinery	19,000
Bank Overdraft	4,000	Stock	70,000
Creditors	15,000	Debtors	16,000
Other liabilities	24,000	Cash	15,000
	1,64,000		**1,64,000**

The Net profit of the company after deducting All expenses and depreciation and tax were

Year	NPAT Rs.
2014	17,000
2015	19,200
2016	18,000
2017	20,000
2018	19,000

On 31st March, 2018 Building was valued at Rs. 50,000 and Machinery Rs. 30,000.

Normal rate of return is assumed to be 10%. Consider closing capital employed as Average capital employed. You are require to value of Goodwill on the basis of 5 year's purchase of Super Profit. (15 Marks)

Q.5.A) What is patent and its benefit. (08 Marks)

B) What is Goodwill? What are the factors affecting Valuation of Goodwill. (07 Marks)

OR

Q.5 Write Short Notes (Any 3) (15 Marks)

1. Future Maintainable Profit.
2. Self Constructed Asset.
3. Valuation of Brand.
4. Copy rights
5. Discounted Cash flow approach