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**BENGALURU**  
**School of Commerce**  
**Mid - Term Examinations - November 2024**

**Semester:** V

**Date:** 06-11-2024

**Course Code:** COM3061

**Time:** 09.30am to 11.00am

**Course Name:** Business Valuation

**Max Marks:** 50

**Program:** B.COM/B.COM Hons

**Weightage:** 25%

**Instructions:**

- (i) Read all questions carefully and answer accordingly.
- (ii) Do not write anything on the question paper other than roll number.

**Part A**

**Answer ALL the Questions. Each question carries 2marks.**

**5Qx2M=10M**

- |          |   |         |    |     |
|----------|---|---------|----|-----|
| <b>1</b> | Define the term 'value'                       | 2 Marks | L1 | CO1 |
| <b>2</b> | Define business valuation                     | 2 Marks | L1 | CO1 |
| <b>3</b> | Give the meaning Fair Market value            | 2 Marks | L1 | CO1 |
| <b>4</b> | List out any two purpose of Valuation.        | 2 Marks | L1 | CO2 |
| <b>5</b> | Mention the advantages of Business Valuation. | 2 Marks | L1 | CO2 |

**Part B**

**Answer ALL Questions. Each question carries 10 marks.**

**4QX10M=40M**

- |          |  |          |    |     |
|----------|--|----------|----|-----|
| <b>6</b> | The expected EPS of a company for the current year is Rs. 6. In the industry the standard P/E ratio is 15 to 17. The company is in the high growth stage. What is the best estimate of the company's share price? Should the share be purchased? | 10 Marks | L3 | CO1 |
|----------|--|----------|----|-----|

**Or**

- |          |   |          |    |     |
|----------|---|----------|----|-----|
| <b>7</b> | Describe the different business valuation approaches    | 10 Marks | L2 | CO1 |
| <b>8</b> | You are given the following information about a company | 10 Marks | L3 | CO1 |

Recent EPS = Rs. 1.89

Growth rate (constant)= 6% Dividend payout ratio = 50%

Required rate of return = 10%

After five years, the expected P/E ratio is 12.5. Calculate

- (i) The intrinsic value of share at present
- (ii) The expected selling price of share at the end of 5th year
- (iii) The maximum price at which the investor should buy this share

**Or**

**9** Explain the sources of information for business valuation. 10 Marks L2 CO2

**10** You are given the following information about a company 10 Marks L3 CO1

Recent EPS = Rs. 2

Growth rate (constant)= 7%

Dividend payout ratio = 50%

Required rate of return = 10%

After five years, the expected P/E ratio is 13.

Calculate:

- The intrinsic value of share at present
- The expected selling price of share at the end of 5th year
- The maximum price at which the investor should buy this share

**Or**

**11** Describe about significant considerations for undertaking valuation. 10 Marks L2 CO1

**12** Briefly explain the different Stages involved in any M&A. 10 Marks L2 CO2

**Or**

**13** Following are the financial statements of XYX Ltd. Calculate value of business under net asset value method 10 Marks L3 CO1

Particulars	Amount (Rs.)
<b>I EQUITIES AND LIABILITIES</b>	
1. Shareholders' funds	

(a) Share Capital	
Authorized, issued subscribed, and paid up capital (Equity shares of Rs. 10 each, fully called up and paid up)	22,50,000
(b) Reserve and surplus	7,00,000
General reserve	9,00,000
<b>2. Non-current liabilities</b>	
15% Debentures	7,00,000
<b>3. Current Liabilities</b>	
Current liabilities	5,00,000
<b>TOTAL</b>	<b>43,50,000</b>
<b>II ASSETS</b>	
<b>1. Non-current Assets</b>	
(a) Fixed Assets	
Tangible Assets & intangible Assets	32,50,000
(b) Investment	6,00,000
<b>2. Current Assets</b>	
Miscellaneous current assets	5,00,000
<b>TOTAL</b>	<b>43,50,000</b>

**Additional information:**

- (a) Fixed assets 20% above the book value.
- (b) Investments at par value.
- (c) Current assets at a discount of 5%.
- (d) Discharge Debentures at 5% discount