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**PRESIDENCY UNIVERSITY**

**Bengaluru**

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| **End - Term Examinations – January 2025** |
| **Date:** 10 – 01- 2025 **Time:** 09:30 am – 12:30 pm |

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| **School:** SOC | **Program:** BCMA/BCMB/BCH | |
| **Course Code :** COM3061 | **Course Name :** Business Valuation | |
| **Semester**: V | **Max Marks**: 100 | **Weightage**: 50% |

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| **CO - Levels** | **CO1** | **CO2** | **CO3** | **CO4** | **CO5** |
| **Marks** | **04** | **24** | **24** | **24** | **24** |

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Do not write anything on the question paper other than roll number.*

**Part A**

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| **Answer ALL the Questions. Each question carries 2 marks. (10Q x 2M = 20M)** | **Bloom's Level** | **CO** |

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| **1** | Define Business Worth. | **2 Marks** | **Remember** | **CO1** |
| **2** | Give the meaning of Liquidation Value. | **2 Marks** | **Remember** | **CO1** |
| **3** | State any two approaches of Business Valuation. | **2 Marks** | **Remember** | **CO2** |
| **4** | Define the term Diversification. | **2 Marks** | **Remember** | **CO2** |
| **5** | State the meaning of Discounted Cash Flow (DCF) method. | **2 Marks** | **Remember** | **CO3** |
| **6** | Mention the advantages of Market Comparable method. | **2 Marks** | **Remember** | **CO3** |
| **7** | Mention the meaning of depreciation with the formula. | **2 Marks** | **Remember** | **CO4** |
| **8** | State the advantages of EVA method. | **2 Marks** | **Remember** | **CO4** |
| **9** | Define Sensitivity Analysis. | **2 Marks** | **Remember** | **CO5** |
| **10** | Define Primary Data. | **2 Marks** | **Remember** | **CO5** |

**Part B**

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| **Answer ALL the Questions. Each question carries 7 marks. (5Q x 7M = 35M)** | | | **Bloom's Level** | **CO** |
| **11** | Explain the sources of information for business valuation. | **7 Marks** | **Understand** | **CO2** |
|  | **Or** | | | |
| **12** | Describe the different business valuation approaches | **7 Marks** | **Understand** | **CO2** |

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| **13** | A private software company has an EBITDA of ₹15 crore and operates in the technology sector. You find the following comparable transactions in the same industry:  Comparable Transaction EV/EBITDA Multiple Transaction 1 8x  Transaction 2 10x  Transaction 3 12x  Calculate the enterprise value (EV) of the software company using the Comparable Transactions Method. | **7 Marks** | **Understand** | **CO3** |
|  | **Or** | | | |
| **14** | Company A has reported an EPS (Earnings Per Share) of Rs 4. The average P/E ratio of comparable companies in the same industry is 18x. Estimate the fair value of Company A's stock price using the P/E multiple method. | **7 Marks** | **Understand** | **CO3** |

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| **15** | Pizza Hut Ltd. has existing assets in which it has capital invested of Rs.150 crores. The After Tax Operating Income is Rs.20 crores & Company has a Cost of Capital of 12%. Estimate the Economic Value Added (EVA) of the firm. | **7 Marks** | **Understand** | **CO4** |
|  | **Or** | | | |
| **16** | Explain Option Pricing Model using the Black-Scholes Model. | **7 Marks** | **Understand** | **CO4** |

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| **17** | Discuss the process of Selecting the Business Valuation Methods. | **7 Marks** | **Understand** | **CO5** |
|  | **Or** | | | |
| **18** | Discuss how to reach the Business Value Conclusion. | **7 Marks** | **Understand** | **CO5** |

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| **19** | Explain the purpose of Business Valuation. | **7 Marks** | **Understand** | **CO5** |
|  | **Or** | | | |
| **20** | Explain the reasons of Mergers & Acquisition. | **7 Marks** | **Understand** | **CO5** |

**Part C**

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| **Answer Any THREE Questions. Each question carries 15 marks. (3Q x 15M = 45M)** | **Bloom's Level** | **CO** |

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| **21** | You are given the following information about a company  Recent EPS = Rs. 15  Growth rate (constant)= 6% Dividend payout ratio = 60% Required rate of return = 10%  After five years, the expected P/E ratio is 18  Calculate   * + 1. The intrinsic value of share at present     2. The expected selling price of share at the end of 5th year     3. The maximum price at which the investor should buy this share | **15 Marks** | **Apply** | **CO2** |
| **22** | A company’s free cash flows for the next 3 years are as follows: Year 1: ₹10,00,000  Year 2: ₹12,00,000  Year 3: ₹14,00,000  After Year 3, free cash flows are expected to grow at a constant rate of 5% indefinitely.  The company’s discount rate (WACC) is 12%, and its net debt is ₹25,00,000.  You need to calculate:  1. The present value of the projected cash flows.  2. The terminal value.  3. The enterprise value.  4. The equity value. | **15 Marks** | **Apply** | **CO3** |
| **23** | You are valuing a company with the following projections:  Free Cash Flows (FCF):   * Year 1: Rs. 2,00,000 * Year 2: Rs. 2,50,000 * Year 3: Rs. 3,00,000 * Year 4: Rs. 3,50,000 * Year 5: Rs. 4,00,000   Terminal Value (at the end of Year 5): The free cash flows are expected to grow at a constant rate of 3% indefinitely after Year 5.  Discount Rate (WACC): 10%  Net Debt: Rs. 10,00,000  You need to calculate:  1. The present value of the projected cash flows.  2. The terminal value.  3. The enterprise value.  4. The equity value. | **15 Marks** | **Apply** | **CO4** |
| **24** | Navigator Ltd. is considering a capital project for which the following information is available.  Investment Outlay Rs 10,000  Project Life 5 years  Salvage Value 0  Annual Revenues 8,000  Annual costs (excluding depreciation, interest & taxes) 4,000  Depreciation Straight line method  Tax rate 40%  Debt Equity ratio 3:2  Cost of equity 20%  Cost of debt (post tax) 8%  Calculate EVA of the project over its life. | **15 Marks** | **Apply** | **CO5** |