Q.P. Code:00001064

[Time: 3.00 Hrs.]	**[Marks:60]**

Please check whether you have got the right question paper.

N.B: 1. Q.1 would be compulsory and would carry 20 Marks.
2. Students have to attempt any four out of the remaining six Questions (Q.2 to Q.7) and within each question; students have to attempt any two Out of three sub – questions.

Q.1 Case Study. 20

Company XYZ is a publicly traded company in the technology sector. They have been in business for over 10 years and have established themselves as a leader in their industry. Their financials show consistent revenue growth and profitability over the past several years.

To begin the valuation process, we can use several different methods. One commonly used method is the discounted cash flow (DCF) analysis.

For the DCF analysis, we need to estimate the company's future cash flows, determine a discount rate, and calculate the present value of those cash flows. To estimate future cash flows, we can look at historical performance, growth projections, and industry trends. For example, if the industry is expected to grow at a rate of 5% per year and the company has historically grown at a rate of 8%, we may use a growth rate of 7% in our projections.

Next, we need to determine the appropriate discount rate, which takes into account the risk associated with investing in the company. We can use the company's cost of equity or weighted average cost of capital (WACC) as our discount rate.

After we have estimated the future cash flows and discount rate, we can calculate the present value of those cash flows using a DCF calculator.

Another method for valuing the company is the comparable company analysis (CCA). This method involves comparing the company's financial metrics (such as revenue, EBITDA, and P/E ratio) to other similar companies in the industry.

For example, if we find that the company's revenue and EBITDA multiples are higher than those of similar companies, we may conclude that the company is undervalued. On the other hand, if the company's P/E ratio is lower than that of its peers, we may conclude that the company is overvalued.

A third method for valuing the company is the precedent transaction analysis (PTA). This method involves analyzing the financial metrics of companies that have been acquired in the

		same industry to determine a fair price for the company. For example, if we find that similar companies have been acquired for a price-to-sales multiple of 3x, we may use that multiple to determine a fair price for the company. Ultimately, a comprehensive valuation will likely use a combination of these methods to arrive at a range of values for the company. This range can then be used to determine a fair market value for the company's shares. Questions: 1. What is the discounted cash flow analysis, and how does it work? 2. What is the comparable company analysis, and how can it be used to value a company? 3. What is the precedent transaction analysis, and how can it be used to determine a fair price for a company?	
Q.2		Attempt any two A) What is the format for calculating EVA? B) What are the key strategies that companies can use to optimize their capital structure? C) In what ways can financial statements be used for valuation?	5X2
Q.3		Attempt any two. A) How Financial Statement can be used in valuation from several perspectives? B) What are the Advantages of Joint Ventures? C) Prepare an estimate of working capital requirement from the following information of a trading concern. Projected annual sales 10,000 units Selling price Rs. 10 per unit Percentage of net profit on sales 20% Average credit period allowed to customers 8 Weeks Average credit period allowed by suppliers 4 Weeks Average stock holding in terms of sales requirements 12 Weeks Allow 10% for contingencies	5X2
Q.4		Attempt any two. A) What are the Methods for writing a corporate valuation report? B) The Ashish Company limited considering the purchase of a new machine. Two alternative machines 1 and 2 have been suggested, each having an initial cost of Rs. 80,000/- and requiring Rs. 4,000/- as additional working capital at the end of the 1st	5X2

year. Cash flows after taxes are as follows:

Cash Flows		
Year	Machine 1	Machine 2
1	8000	24000
2	24000	32000
3	32000	40000
4	48000	24000
5	32000	16000

The company has a target return on capital of 10% and on this basis you are required to compare the profitability of the machines and state which alternative you consider as financially preferable.

C) What are reasons of discount rates in business valuation?

Q.5 Attempt any two. **5X2**

A) Calculate the internal rate of return of an investment of Rs. 1, 36,000 which yields thefollowing cash inflows:

Year	Cash Inflows (in Rs.)
1	30,000
2	40,000
3	60,000
4	30,000
5	20,000

B) What are the key features of option pricing applicable in valuation?

C) What are the Types of restructuring?

Q.6 Attempt any two. **5X2**

A) What are the Benefits of Merger & Acquisition?

B) Calculate EVA from the following:

1. Average operating profit after tax = Rs. 40,00,000 p.a for last three years
2. Total assets = Rs. 1,70,00,000
3. Average current liability = Rs. 40,00,000
4. Weighted average cost of capital = 10%

		C) Which are the risk measurement involves for corporate valuation?	
Q.7		Attempt any two Short Notes. A) Certain projects require an initial cash outflow of Rs. 26,000. The cash inflowsfor 6 years are Rs. 5,000, Rs. 8,000, Rs. 10,000, Rs. 12,000, Rs. 7,000 and Rs. 3,000. Calculate Pay-back? B) What are the Advantages and disadvantages of payback period? C) What are the Assumptions of the Black-Scholes-Merton Model?	5X2
