

[Time: 3.00 Hrs]

[ Marks: 75 ]

Please check whether you have got the right question paper.

**Instructions :**

1. Q1 (20 marks) & Q8 (15 marks) are compulsory.
2. Attempt Any Four (40 marks) out of Q2, Q3, Q4, Q5, Q6 and Q7.
3. Students have to attempt any four out of the remaining six questions and within each question; students have to attempt any one out of two sub – questions. Each sub – question would carry 10 Marks.
4. Figures to the right indicate full marks.
5. Draw neat diagrams wherever necessary.

**Q.1 Read and attempt the following:****(A) Multiple choice question****10 Marks**

- i. What is the primary objective of corporate valuation?  
a) To determine the intrinsic value of a company b) To determine the market value of a company c) To determine the financial performance of a company d) To determine the market share of a company.
- ii. What is the term used to describe the process of estimating the value of a company?  
a) Corporate valuation b) Financial analysis c) Investment analysis d) Market analysis.
- iii. What is the most common method used to value companies?  
a) Discounted cash flow (DCF) method b) Comparable company analysis (CCA) c) Asset-based approach d) Market multiple approach
- iv. What is the term used to describe the present value of future cash flows?  
a) Net present value (NPV) b) Discounted cash flow (DCF) c) Present value (PV) d) Future value (FV)
- v. What is the discount rate used to calculate the present value of future cash flows?  
a) Cost of capital b) Expected rate of return c) Risk-free rate d) Market rate
- vi. What is the term used to describe the process of adjusting the estimated value of a company for risk?  
a) Risk adjustment b) Risk premium c) Risk discount d) Risk-free rate
- vii. What is the term used to describe the process of estimating the value of a company's assets and liabilities?  
a) Asset-based approach b) Liability-based approach c) Hybrid approach d) Market-based approach
- viii. What is the term used to describe the process of estimating the value of a company's intangible assets, such as patents and copyrights?

Q.P. Code: 00005419

- a) Intangible asset valuation b) Tangible asset valuation c) Financial asset valuation  
d) Market asset valuation
- ix. What is the term used to describe the process of estimating the value of a company's stock options and warrants?  
a) Equity option valuation b) Debt option valuation c) Derivative valuation d) Hybrid valuation
- x. What is the term used to describe a model that estimates the value of a company using its earnings and growth rate?  
a) Discounted cash flow (DCF) b) Comparable company analysis (CCA) c) Asset-based approach d) Gordon Growth Model

**(B) State whether True or false.****10 Marks**

- i. Corporate valuation is the process of determining the value of a company.
- ii. Corporate valuation is used to determine the intrinsic value of a company.
- iii. Corporate valuation is used to determine the market value of a company.
- iv. Financial statement analysis involves analyzing macroeconomic factors such as GDP growth and inflation.
- v. Financial statement analysis is used to determine the creditworthiness of a company.
- vi. Financial statement analysis is used to determine the value of a company's stock.
- vii. Mergers and acquisitions refer to the consolidation of two or more companies.
- viii. Mergers and acquisitions are used to expand a company's operations and increase its market share.
- ix. Mergers and acquisitions involve the acquisition of one company by another.
- x. Mergers and acquisitions involve the merger of two companies into a new entity.

**Q.2 Attempt any Two of the following:****10 Marks**

- i. What is Shareholder Value Creation?
- ii. What do you mean by Market Value Added?
- iii. Write a note on Market to book Value?

**Q.3 Attempt any One of the following:****10 Marks**

i. The cost of a project is Rs 50,000 and it generates cash inflows of Rs 20,000, Rs 15,000, Rs 25,000 and Rs 10,000 over four years. Present value @ 10% are 0.909, 0.826, 0.751 and 0.683. Calculate Net Present Value, Probability Index and Net Profitability.

ii. A Company is considering whether to purchase a new machine. Machine A and B are available for Rs 80,000 each. Earnings after taxation are as follows:

Year	Machine A in Rs	Machine B in Rs	10 % Discounted rate
1	24,000	8,000	0.909
2	32,000	24,000	0.826
3	40,000	32,000	0.751

4	24,000	48,000	0.683
5	16,000	32,000	0.621

Calculate Net Present Value, Probability Index and Net Profitability.

**Q.4 Attempt any Two of the following:****10 Marks**

- What are the different ways that financial statements can be used in valuation?
- What are the different way income statement can be used in valuation?
- What is the objective of financial statements analysis?

**Q.5 Attempt any Two of the following:****10 Marks**

- What is the key factor involved in valuation inputs for risk measurement?
- Write a note on Cost of Capital?
- Write a note on free cash flow to firm?

**Q.6 Attempt any Two of the following:****10 Marks**

- Explain Constant Growth Model.
- What does Zero Growth Model explain?
- Explain Two stage model

**Q.7 Attempt any Two of the following:****10 Marks**

- Discuss the relative merits and demerits of Present Value Method?
- Discuss the suitability of Profitability Index Method?
- Explain the merits and demerits of Internal Rate of return.

**Q.8 Write short notes on Any three from the following:****15Marks**

- Profitability index
- IRR
- NPV
- Accounting rate of return
- H model

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