Name:

Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

END Semester Examination, DEC. 2023

Course: Valuation & restructing of Firms **Semester: V**
Program: INT. BBA - MBA_FIN **Time: 3 Hours**
Course code: FINC3065 **Max. Marks: 100**
Instructions: Attempt all Questions

Q1 **SECTION A (Objective)** **(10 * 2 Marks Each) - 20 Marks)**

A	Novelis was acquired by which Indian group? (a) Reliance (b) Tata (c) ITC (d) Birla (Hindalco)	**CO1**	**2**
B	If General Electric were to acquire New Start Airways, the acquisition would be classified as a _____ acquisition. (a) horizontal (b) longitudinal (c) conglomerate (d) vertical (e) integrated	**CO1**	**2**
C	What is the value of the firm usually based on? a) The value of debt and equity. b) The value of equity. c) The value of debt. d) The value of assets plus liabilities.	**CO1**	**2**
D	Which of the following is not one of the three fundamental methods of firm valuation? a) Discounted Cash flow b) Income or earnings - where the firm is valued on some multiple of accounting income or earnings. c) Balance sheet - where the firm is valued in terms of its assets. d) Market Share	**CO1**	**2**
E	Leasing of machinery can be categorized as______ a) Fixed asset b) Investment decision c) Financing decision d) Capital budgeting decision	**CO1**	**2**
F	Listed companies can be valued at a) Book Value b) Market value c) Salvage value d) Liquidation value	**CO1**	**2**
G	What does the price-to-earnings ratio (P/E) tell you? a) How much each of a company's products sells for on average. b) How much investors are willing to pay per unit of a company's earnings. c) How much tax per unit investors are willing to pay. d) None of the above	**CO1**	**2**
H	What does a high P/E ratio suggest?	**CO1**	**2**

	a) A company shares are currently overpriced. b) A company shares are currently underpriced. c) No relation d) None of the above		
I	High P/E ratios tend to indicate that a company will _______ a) grow quickly b) grow at the same speed as the average company c) grow slowly d) not grow	**CO1**	**2**
J	_________ is equal to (common shareholders' equity/common shares outstanding). a) Book value per share b) Liquidation value per share c) Market value per share d) Tobin's Q	**CO1**	**2**
	SECTION B	**(4* 5 Marks Each -20 Marks)**	
Q2.	Distinguish between Price and value.	**CO2**	**5**
Q3.	What are the different approaches to Business Valuation?	**CO2**	**5**
Q4.	What are the Advantages and limitations of Discounted Cash flow valuation	**CO2**	**5**
Q5.	What is Enterprise Value? How it helps to value a firm?	**CO2**	**5**
	SECTION-C	**(3* 10 Marks Each- 30 Marks)**	
Q6	What do you mean by Valuation Multiples, explain with examples?	**CO3**	**10**
Q7	What is terminal value. Illustrate how to calculate terminal value.	**CO3**	**10**
Q8	. Following is the income statement of Aakash Ltd. (Rs. In Crores) Sales 500 Cost of Goods sold (includes depreciation) 250 EBIT 200 Taxes @ 35% 70 Net income 130 The company's cost of capital is 11% and its net assets are worth Rs.800 crores. (i) What is the conventional rate of investment? (ii) What is the net addition to the wealth of shareholders in the current year in terms of Economic value Added? OR The initial investment for the project is Rs. 370 and its expected to earn a profit of Rs.100 each year with a growth rate of 15% for 5 years and thereafter at 4%. The cost of capital may be assumed as 12% for calculation. You are required to find out the value of the firm and the price of share if assumed the company has issued 100 shares. Use DCF approach for Valuation.	**CO3**	**10**

SECTION-D- Attempt any Two (2* 15 Marks Each- 30 Marks)

<table>
<tr>
<td>Q9</td>
<td>A frim is currently paying a dividend of Rs.2 per share. The rate of dividend is expected to grow at 5% for first 5 years and 10% thereafter.
Find out the Intrinsic value of share if the required rate of return of the investor is 15%</td>
<td>CO4</td>
<td>15</td>
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<td>Q10</td>
<td>A Ltd. is considering takeover of B Ltd. and C Ltd. The financial data for the three companies are as follows :
<table>
<tr><td></td><td colspan="3">COMPANYS</td></tr>
<tr><td>Particulars</td><td>A</td><td>B</td><td>C</td></tr>
<tr><td>Equity Share Capital of Rs. 10 each (Rs. crores)</td><td>450</td><td>180`</td><td>90</td></tr>
<tr><td>Earnings (Rs. crores)</td><td>90</td><td>18</td><td>18</td></tr>
<tr><td>Market price of each share (Rs.)</td><td>60</td><td>37</td><td>46</td></tr>
</table>
Calculate :
(i) Price earnings ratios
(ii) (ii) Earnings per share of A Ltd. after the acquisition of B Ltd. and C Ltd. separately.
Will you recommend the merger of either/both of the companies? Justify your answer.</td>
<td>CO4</td>
<td>15</td>
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<td>Q11</td>
<td>Explain the concept of value creation in horizontal, vertical and conglomerate mergers
OR
Explain the different types of corporate restructuring.</td>
<td>CO3
CO4</td>
<td>15</td>
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