Sree Chaitanya Mahavidyalaya

M.Com. (Semester-4) Examination-2021
Corporate Restructuring & Business Valuation
Paper-COMPDSE08T

Full Marks-40 Time-2 Hours

Group-A

1. **Answer any five questions** **5x2=10**

(a) Define Vertical Merger.

(b) What is fair value?

(c) What is Operating Synergy?

(d) What is meant by Divestiture?

(e) What is Equity Carved-out?

(f) What is the basic premise in discounted cash flow valuation of an assets?

(g) Write two commonly used multiples of relative valuation approach.

(h) What is bootstrapping?

Group-B

Answer any two questions **2x5=10**

2. XYZ Ltd. is intending to acquire ABC Ltd. by merger and the following information is available in respect of both the companies:

	XYZ Ltd.	ABC Ltd.
No. of Equity Shares	5,00,000	3,00,000
Profit after Tax(Rs.)	25,00,000	9,00,000
Market value per share (Rs.)	21	14

(i) Calculate the present EPS of both companies.

(ii) If the proposed merger takes place, what would be the new EPS for XYZ Ltd? Assume that the merger takes place by exchange of equity shares and the exchange ratio is based on the current market price.

(iii) Will you recommend the merger of both the companies? Justify your answer. (1+2.+2)

3. "The Discounted cash flow (DCF) approach is conceptually the most ideal among various approaches for business valuation. Do you agree? Explain. 5

4. Discus briefly about the start –up initiatives in India. 5

5. (i) Calculate the value of the asset as per discounted cash flow method.

Expected future net Cash flow for 5 years: Rs. 5000, Rs. 6000, Rs.4500, Rs.4700, Rs.5000. Rate of discount 10%. Life of the asset 5 years

(ii) Mention two advantages of relative valuation (3+2)

Group-C

Answer any two questions **2x10=20**

6. Discuss the valuation issues across the life cycle of the firm 10

7. (i) Earnings per share Rs. 3.15, capital Expenditure per share Rs. 3.15, depreciation per share Rs. 2.78, change in working capital per share Rs. 0.50, debt financing ratio 25%, growth rate 6% per year, beta for stock is 0.90, treasury bond rate is 7.5% and a premium of 5.50% is used for market.
Calculate value of the stock.

(ii) Sales Rs. 100000, costs Rs. 75000, Depreciation Rs. 20000, tax 35%, change in net working capital Rs. 1000, change in capital spending Rs. 10000, interest Rs. 1000 and company borrowing Rs. 5000. Calculate free cash flow to equity.

(iii) Distinguish between equity valuation and firm valuation (5+3+2)

8. Axis Ltd has two divisions: A and B, Division A has been making profit while division B has been suffering losses. The division wise Balance sheet on 31st March,2017 are as follows:-

Rs. In Lakh

	Division A	Division B	Total
Fixed Assets: cost (Tangible)	500	1,000	1,500
Less: Depreciation	450	800	1,250
Written Down Value(i)	50	200	250
Current Assets:	400	1,000	1,400
Less: Current Liabilities	50	800	850
Net Current Assets (ii)	350	200	550
Total(i)+(ii)	400	400	800
Financed by:			
Loan	---	600	600
Capital: Equity Shares of 10 each	50	---	50
Other Equity	350	(200)	150
Total	400	400	800

Division B along with it's assets and liabilities was sold for Rs 50 lakhs to X Ltd, a new company which issued 2 lakhs equity share of Rs 10 each at a premium of Rs 15 per share to the members of Division B in full settlement of the consideration in proportion to their shareholding in the company, Assuming that there are on other transactions, you are required to:

(i) Show journal entries in the books of Axis Ltd and X Ltd.

(ii) Prepare the Balance Sheet of X Ltd after the entries made in (i) above

Balance Sheet to be prepared under the Scheduled III division II format 10

9. Write short notes on the following ($2^{1/2}$ x 4)

a) Valuation of slump sale
b) Reverse Merger
c) Equity Multiples
d) Leveraged buyouts

Send your answer scripts to this e-mail

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