

Name:  
Enrolment No:



**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**

**Supplementary Examination, DEC. 2023**

**Course: Valuation of Firms**  
**Program: BBA FINANCE**  
**Course code: FINC2070**  
**Instructions: Attempt all Questions**

**Semester: III**  
**Time: 3 Hours**  
**Max. Marks: 100**

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

A	Listed companies can be valued at a) Book Value b) Market value c) Salvage value d) Liquidation value	CO1	2
B	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
C	What does a high P/E ratio suggest? a) A company shares are currently overpriced. b) A company shares are currently underpriced. c) No relation d) None of the above	CO1	2
D	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
E	_____ 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
F	Novelis was acquired by which Indian group? (a) Reliance (b) Tata (c) ITC (d) Birla (Hindalco)	CO1	2
G	If General Electric were to acquire New Start Airways, the acquisition would be classified as a _____ acquisition. (a) horizontal (b) longitudinal	CO1	2

	(c) conglomerate (d) vertical (e) integrated		
H	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
I	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
J	Leasing of machinery can be categorized as _____ a) Fixed asset b) Investment decision c) Financing decision d) Capital budgeting decision	CO1	2
<b>SECTION B ( 4* 5 Marks Each -20 Marks)</b>			
Q2	Distinguish between Price and value.	CO2	5
Q3	What is PEG Ratio? Explain giving suitable example.	CO2	5
Q4	What are the Advantages and limitations of Discounted Cash flow valuation	CO2	5
Q5	What is Economic Value Added? How it helps to value a firm?	CO2	5
<b>SECTION-C ( 3* 10 Marks Each- 30 Marks)</b>			
Q6	A firm 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% .	CO3	10
Q7	What are the different approaches to Business Valuation?	CO3	10
Q8	The initial investment for the project is Rs. 370 and its expected to earns 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
<b>SECTION-D – Attempt any two ( 2* 15 Marks Each- 30 Marks)</b>			
Q9	What do you mean by Valuation Multiples, explain with examples?	CO4	15

Q10	What is terminal value. Illustrate how to calculate terminal value.	CO4	15										
Q11	<p>Following is the income statement of Aakash Ltd.</p> <p style="text-align: right;">(Rs. In Crores)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Sales</td> <td style="text-align: right;">500</td> </tr> <tr> <td>Cost of Goods sold (includes depreciation)</td> <td style="text-align: right;">250</td> </tr> <tr> <td>EBIT</td> <td style="text-align: right;">200</td> </tr> <tr> <td>Taxes @ 35%</td> <td style="text-align: right;">70</td> </tr> <tr> <td>Net income</td> <td style="text-align: right;">130</td> </tr> </table> <p>The company's cost of capital is 11% and its net assets are worth Rs.800 crores.</p> <p>(i) What is the conventional rate of investment?</p> <p>(ii) What is the net addition to the wealth of shareholders in the current year in terms of Economic value Added?</p>	Sales	500	Cost of Goods sold (includes depreciation)	250	EBIT	200	Taxes @ 35%	70	Net income	130	CO3 CO4	15
Sales	500												
Cost of Goods sold (includes depreciation)	250												
EBIT	200												
Taxes @ 35%	70												
Net income	130												