

Roll No. \_\_\_\_\_



**University of Petroleum & Energy Studies**  
**School of Business**  
**Kandoli Campus, Dehradun**  
**End Term Examination –December, 2018**

**Programme Name: MBA CORE**  
**Subject: Corporate Valuation**  
**Subject code: FINC 8010**

**Semester:III**  
**M.Marks: 100**  
**Duration: 3 Hrs**

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**Note: All sections are compulsory.**

**Section –A (Objective type)**

**(10\*2 marks each-20 Marks)**

**Q1.**

1. Which of the following is the modern objective of Financial Management:

- (a) Wealth Maximisation (b) Value maximization  
(c) Profit Maximisation (d) Cash maximization

2. What is Full Form of IRR?

- (a) International Repo Rate (b) Internal Rate of Return  
(c) Internal Rate of Revenue (d) Indian Repo Rate

3. For applying NPV, \_\_\_\_\_ is considered:

- (a) Profit After Tax (b) Profit After Tax and Before Depreciation  
(c) Profit Before tax and After Depreciation (d) Profits Before Tax

4. What results in uniform cash flows for an indefinite period:

- (a) Annuity (b) Perpetuity (c) Cash Flows (d) Profitability

5. Which of the following method is Non Discounted Cash Flow method of Capital Budgeting?

- (a) ARR (b) IRR (c) NPV (d) PI

6. Discounting refers to :

- (a) Conversion of Future Value in Present Value  
(b) Conversion of Present Value in Future Value  
(c) Decrease the Present Value  
(d) Increase the Future Value

7. What results in uniform cash flows for an definite period:

- (a) Annuity (b) Perpetuity (c) Cash Flows (d) Profitability

8. Which of the following is Discounted Cash Flow Technique of Capital Budgeting :

- (a) Discounted Pay Back Period (b) Pay Back Period  
(c) Accounting Rate of Return (d) Non of these

9. Which decisions relate to acquisition of asset and generally have long term strategic implications?

- (a) Investing (b) Financing (c) Dividend (d) Working Capital

10. Average profit as percentage of average investment over the life of the project is:

- (a) ARR (b) IRR (c) EMI (d) Annuity

CO 1
CO3
CO1
CO2
CO3
CO1
CO3
CO2
CO1
CO1

**Section B****(4\*5-20 Marks)**Short type questions

- Q2. Distinguish between Price and value. CO1  
Q3. What are the different approaches to Business Valuation? CO2  
Q4. What are the Advantages and limitations of Discounted Cash flow valuation CO2  
Q5. What is Economic Value Added? How it helps to value a firm? CO2

**Section C****Descriptive type Questions.****(3\*10-30 Marks)**

- Q6. What do you mean by Valuation Multiples, explain with examples? CO3  
Q7. What is terminal value. Illustrate how to calculate terminal value. CO4

Q8. Following is the income statement of Aakash Ltd.

CO5

	(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?

**Section –D**  
**Long type Numerical**

**(2\*15 Marks)**

Q9. 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.

CO5

Q10. From the following particulars, **prepare Balance sheet** as on 31-03-11

1. Current ratio 2
2. working capital Rs.400000
3. capital block to current assets 3:2
4. fixed assets to turnover 1:3
5. sales cash/ credit 1:2
6. debenture/ share capital 1:2
7. stock velocity 2 months
8. creditors velocity 2 months
9. debtors velocity 2 months

**10.** gross profit ratio 25% on sales

**11. CAPITAL BLOCK:**

Net profit 10% of turnover

Reserves 2.5% of turnover

CO4