



Name:

Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2022

Course: Valuation of Firms

Program: BBA CORE FIN

Course Code: FINC2070

Semester : III

Time : 03 hrs.

Max. Marks: 100

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	Working Capital is the _____. A) Capital borrowed from the Banks. B) Difference between Current Assets and Current Liabilities. C) Difference between Current Assets and Fixed Assets. D) Cash and Bank Balance.	2	CO1
Q 2	The _____ is a measure of liquidity that excludes generally the least liquid asset..... A) Liquid ratio, Accounts receivable. B) Current ratio, inventory. C) Liquid ratio, inventory. D) Current ratio, Accounts receivable	2	CO1
Q 3	Shareholders fund is equal to _____. A) Equity share capital + Preference share capital. B) Equity share capital + Revenues and Surplus. C) Equity share capital + Preference share capital + Revenues and Surplus. D) None of the options are correct	2	CO1
Q 4	In the cash flow statement if the company invests more in fixed assets and short term financial investments, it would result to: A. decreased cash B. increased cash C. increased equity D. increased liability	2	CO1

Q 5	Which of the following are regarded as financial activities in the cash flow? A. The interest that is paid B. The issue of preference share C. The redemption of the preference share D. All of the above	2	CO1
Q 6	Which of the following methods are not used in equity valuation A. Dividend Based Valuation B. Earnings Based Valuation C. Cash Flow Based Valuation D. Book Value Based Valuation	2	CO1
Q 7	CAMP stands for: A. Capital assessment pricing model. B. Capital asset pricing model. C. Capital asset placement model. D. None of these.	2	CO1
Q 8	When the debentures are issued at less than the face value they are deemed to be issued at a A. Discount B. Premium C. Par D. None of the above	2	CO1
Q 9	Who will be interested in the cash flow statements of a company? A. The directors of the company B. The shareholders of the company C. The potential investors of the company D. All of the above	2	CO1
Q 10	The _____ of a business firm is measured by its ability to satisfy its short-term obligations as they become due. A. Liquidity B. Debt C. Profitability D. Activity	2	CO1
SECTION B 4Qx5M= 20 Marks			
Q 11	Discuss any four users of financial statement and the respective ratio that will be considered by them.	5	CO2
Q 12	Define the term 'Business Valuation' mean?	5	CO2

Q 13	Describe the advantages and limitations of ratio analysis.				5	CO2		
Q 14	Define the term: a) Internal Rate of Return b) Equity Risk Premium				5	CO2		
SECTION-C 3Qx10M=30 Marks								
Q 15	From the following details, calculate Interest Coverage Ratio: Net Profit after tax = Rs 60,000 15% Long Term Debt = Rs 10,00,000 Tax Rate = 40%				10	CO3		
Q 16	Analyze the Free Cash Flow based valuation model.				10	CO3		
Q 17	Calculate the implied Growth Rate and Return on Equity Current stock price = Rs. 65 Next year's dividend =Rs. 4 Capitalization rate =12% Earnings retention ratio =50%				10	CO3		
SECTION-D 2Qx15M= 30 Marks								
	Attempt any two questions from this section							
Q 18	The summarized balance sheet of ABC Ltd. as on 31.03.2021 and 31.03.2022 are as follows:				15	CO4		
	Liabilities	2021	2022	Assets			2021	2022
	Capital	4,50,000	4,50,000	Fixed Asset			4,00,000	3,20,000
	Gen Reserve	3,00,000	3,10,000	Investment			50,000	60,000
	P&L A/c	56,000	68,000	Stock			2,40,000	2,10,000
	Creditor	1,68,000	1,34,000	Debtor			2,10,000	4,55,000
	Tax Provision	75,000	10,000	Bank			1,49,000	1,97,000
	Loan	-	2,70,000					
	Additional Details: 1. Investment costing Rs. 8,000 were sold for Rs. 8,500 2. Tax provision made during the year was Rs. 9,000 3. During the year part of fixed assets costing Rs 10,000 was sold for Rs 12,000 and the profit was included in P & L A/c. You are required to prepare cash flow statement for year ending 31.03.2022							
Q 19	The ELU co. is contemplating a debenture issue on the following terms: Face Value Rs.100 per debentures Terms to maturity 7 years Coupon rate				15	CO4		

	<p>Year 1-2 8%</p> <p>Year 3-4 12%</p> <p>Year 5-7 15%</p> <p>The current market rate of interest in similar debentures is 15% p.a. The company proposes to price the issue so as to yield a (compounded) return of 16% p.a. to the investors. Determine the issue price. Assume the redemption of debenture at a premium of 5%.</p>		
Q 20	What are the different methods of valuation and what are the benefits of business valuation?	15	CO4