

**FINAL EXAMINATION**

June 2013

**F-P18(BVM)**  
**Syllabus 2008**

**Business Valuation Management**

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.*

*Answer Question No. 1 which is compulsory carrying 25 marks and any five from the rest.*

1. (a) State whether the following statements are True or False: 1×5=5
- (i) Zero coupon bonds have no coupon rate, hence no yield.
  - (ii) Deferred Tax Liabilities are the liabilities towards payment of tax at some future point of time and hence, while calculating the Net Worth of a company, it should be deducted.
  - (iii) Value gap is the difference between the synergy value and purchase price.
  - (iv) Industrial groups are inherently less conservative than investors in allocating resources.
  - (v) In a debt for equity swap, a firm replacing equity with debt decreases its leverage ratio.
- (b) Fill in the blanks by using words/phrases given in the brackets: 1×10=10
- (i) Price/Earning (PE) Ratio of a company is \_\_\_\_\_ related to Dividend Payout Ratio. (positively/negatively/not).
  - (ii) The stronger a brand of a company is, \_\_\_\_\_ its risk. (lower is/higher is/nothing can be said regarding)
  - (iii) Intangible assets are treated as \_\_\_\_\_ assets. (fixed/fictitious)
  - (iv) \_\_\_\_\_ risk remains fixed irrespective of number of securities in portfolio. (systematic/unsystematic)
  - (v) Seller of a futures contract incurs a loss when the future price \_\_\_\_\_. (increases/decreases)
  - (vi) The \_\_\_\_\_ (Tangible/ Intangible) Assets monitor is a management tool for organizations that wish to track and value their \_\_\_\_\_ assets. (tangible/ intangible)
  - (vii) Dividend yield is the dividend per share as a % of the \_\_\_\_\_ value of the share. (book/market)
  - (viii) The dividend discount model is a specific case of \_\_\_\_\_ valuation. (bond/equity)
  - (ix) Super profit is the excess of future maintainable profit over \_\_\_\_\_ expected profits. (normally/ abnormally)
  - (x) DCF analysis requires the revenue and expenses of \_\_\_\_\_. (past/future)

**Please Turn Over**

(c) In each of the questions given below one out of the four options is correct. Indicate the correct answer:  
2×5=10

- (i) Which is not a, human-capital related intangible asset?
- (A) Trained workforce
  - (B) Employment agreements
  - (C) Union contracts
  - (D) Design patent
- (ii) A share, Y, currently sells for Rs. 50. It is expected that in one year it will either rise to Rs. 55 or decline to Rs. 45. The value of a European call, if the strike price of the underlying share is Rs. 48 and the risk free interest rate is 9% p.a. is
- (A) Rs. 9.33
  - (B) Rs. 11.33
  - (C) Rs. 18.33
  - (D) Rs. 20.50
- (iii) The beta ( $\beta$ ) of a portfolio is equal to
- (A) The beta of the market portfolio
  - (B) The arithmetic average of the individual security betas
  - (C) The weighted average of the individual security betas
  - (D) None of these
- (iv) A company is having Book Value per share of Rs. 15 while the market value per share is Rs. 20. If a company has 20 crores number of shares and Book Debt of Rs. 100 crores, then its Enterprise Value will be
- (A) Rs. 300 Crores
  - (B) Rs. 400 Crores
  - (C) Rs. 500 Crores
  - (D) None of the above
- (v) If the company has a P/E Ratio of 12 and a ROE of 13%, then its Market to Book Value Ratio will be
- (A) 1.09
  - (B) 1.56
  - (C) 9.34
  - (D) Nothing can be concluded as information available is insufficient
2. (a) What do you understand by 'Knowledge Companies'? 5
- (b) 'Balance Scorecard translates a business's vision and strategy enabling better monitoring and management'. Do you agree with the statement? 5
- (c) What are the factors that need to be taken into account in arriving at the replacement cost? 5

