

FINAL EXAMINATION

June 2016

P-20(FABV)

Syllabus 2012

Financial Analysis & Business Valuation

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.**Please: (1) Answer all bits of a question at one place.**(2) Open a new page for answer to a new question.***Section - A***In this section Answer Question No. 1(a) and 1(b) which is compulsory*

1. (a) Answer the following:

2×6=12

- (i) From the following information, compute the Trend Ratio (%) of Net Sales and comment about the trend in Net Sales.

(₹ in lakhs)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Net Sales (₹ in lakhs)	5,959	6,500	6,809	6,649	7,262

- (ii) Comment on the Fixed Assets Turnover Ratios of both the companies on the basis of the following information:

(₹ in lakhs)

Particulars	Company-A		Company-B	
	2013-14	2014-15	2013-14	2014-15
Sales	250.00	300.00	450.00	750.00
Less Excise	31.25	37.50	56.25	93.75
Net Sales	218.75	262.50	393.75	656.25
Gross Fixed Assets	2,500.00	2,800.00	3,500.00	4,000.00
Less Depreciation	1,500.00	2,000.00	1,250.00	1,500.00
Net Fixed Assets	1,000.00	800.00	2,250.00	2,500.00

Please Turn Over

(iii) The following information has been extracted from the Annual Report, 2015 of XYZ Ltd:

(₹ in lakhs)

Particulars	2013-14	2014-15
Net Sales	5,108	5,054
Operating expenses	3,427	4,071
Operating Profit	1,681	983
Total Assets	14,948	15,520
Return on Assets (ROA)	11.25%	6.33%

You are required to find out the drivers that are responsible for a sharp decline in ROA of the company in 2014-15.

- (iv) If value of B Ltd. is ₹ 50 lakhs, T Ltd. is ₹ 20 lakhs, and on merger their combined value is ₹ 94 lakhs and B Ltd. receives premium on merger ₹ 13 lakhs, then what is the synergy gain?
- (v) SMITH LTD. has PAT of ₹ 400 lakh with extra ordinary income of ₹ 60 lakh. The cost of capital and the applicable tax rate of the company are 20% and 30% respectively. What is the value of SMITH LTD.?
- (vi) Market price per share is ₹ 160; Dividend per share is ₹ 40 and Earnings per share is ₹ 55, price earnings ratio will be _____.

(b) State whether the following statements are true or false:

1×8=8

- (i) Valuation, Sensitivity analysis and presentation are not a part of Financial Modelling Process.
- (ii) Financial analysis which is made by prospective investors is known as internal analysis.
- (iii) If Z-Score is greater than 2.99 it is predicted that the firm belongs to bankrupt class.
- (iv) Whenever the yield on a bond is more than coupon rate, the bond will be trading at a discount.
- (v) A brand is nothing but a glorified product name; hence it has no value.
- (vi) Valuing a firm using discounted cash flow method is conceptually different from valuing a capital project using present value method.
- (vii) Higher the Dividend Payout Ratio of a company, higher is its Price/Earnings (P/E) Ratio.
- (viii) If a company has built up intangibles over a period of time, then it can show them in its Balance Sheet and thus, the book value of the company's share will increase.

