PAPER 18 : Business Valuation Management

The standard of the questions asked was up to the mark. The questions were set to check the candidates' conceptual skill, knowledge and analytical ability in practical situations.

General observations and suggestions to students:

1. Examinees/Students are advised to study the materials provided by the Institute carefully.
2. Reading the books prescribed in the syllabus will enhance depth of knowledge.
3. Students should regularly practice solving questions from past examination papers and books.

Specific comments on the performance of the examinees:

i.   Question Nos. 1(a), (b) and (c): General performance was satisfactory. Weakness was noticed among some students in respect of parts of 1(c). Thorough reading of the Study Notes and revisionary test papers will enable the students to score good marks.

ii.   Question Nos. 2(a), (b) and (c): A good number of students have answered parts of this question satisfactorily. Since answer to part (iii) was based on that of part (i) and part (ii) some candidate could not correctly answer this.

iii. Question No. 3: Majority of examinee have answered Part (a) satisfactorily. Answer to part (b) was not satisfactory in the sense the calculation of buyback price was not correct in many cases. Thorough practice of such numerical problem is suggested.

iv.   Question No. 4 (a), (b) and (c): Answers to part (a) were by and large satisfactory. Answers to part (b) and part (c) were not correct in some cases because of the mistake in finding the relative valuation bases for A Ltd.

v.   Question Nos. 5(a), (b) and (c): The sum was attempted by many of the examinees. Most of the examinees could make some parts right. That "(b) is more beneficial to the shareholders of B Ltd" could not be answered by some examinee.

vi.   Question No. 6 (a) and (b): Part (a) was satisfactorily answered by most examinee. Answer to part (b) was not satisfactory in many cases. The "net worth" and "growth rate" should be correctly calculated before calculation of the "present value of growth opportunities'.

vii. Question 7: Answers were not satisfactory in many cases. The students should have clear concept about "time value of money" and "present value calculation of free cash flows at different time periods".

viii. Question Nos. 8: Few could correctly solve this problem. The calculation of "cost of control device to be used in another job" and "net loss on material cost savings of equipment" should be separately worked ßout. Also the students should have clear concept about "opportunity cost".