http://www.howtoexam.com

PAPER-18

BUSINESS VALUATION MANAGEMENT

REVALIDATION TEST PAPER-RV/18/BVM/2010

(Answer Question **1** and any **FIVE** from the remaining)

PART A

1(a) Define in brief

(i) Intellectual Capital
(ii) Brand
(iii) Dividend Yield
(iv) DCF Analysis
(v) Energy Conservation 3*5

(b) State whether each of the following statements is True or False

(i) The return estimated from CAPM provides the WACC of a company
(ii) Value Gap is the difference between the synergy value and purchase price.
(iii) Brand do not influence Customer Demand.
(iv) The provisions of Accounting Standard do not impact of mergers of companies.
(v) Intrinsic Value and market price of equity shares are always equal.

2*5

PART B

2(a) Briefly explain the various steps in the valuation of a Brand. 8

(b) What is Human Resource Accounting? What are its benefits? Briefly discuss the two methods of its measurement? 7

3.(a) Why do many mergers fail?

(b) Why do companies want to measure Intellectual capital?

© What factors are selected for selection of a target in a business acquisition strategy?
5+5+5

HowToExam.com

Get Information about high school and 10+2 schools in your city and state

http://www.howtoexam.com

4(a) A firm had paid dividend at Rs. 2 per share last year. The estimated growth of the dividends from the company is estimated to be 5% p.a. Determine the estimated market price of the equity share if the estimated growth rate of dividends—
(i) rises to 8% and
(ii) falls to 3%.
Also, find out the present market price of the share given that the required rate of return of the equity investors is 15.5%.

(b) A company is considering, raising Rs. 100 lakh by one of the two alternative methods viz; 14 per cent institutional term loan and 13% non-convertible debentures. The term loan portion would attract no major incidental cost. The debentures would have to be issued at a discount of 25% and would involve Rs. 1,00,000 as cost of issue. Advise the company as to the better option based on the effective cost of capital in each case. Assume a tax rate of 35% 8+7.

5(a)Write in brief .about Financial Synergy and Operational Synergy
(b) What are the causes of horizontal merger? 8+7

6. The following are the details of the two merged firms, Nylo Ltd. And Xylo Ltd :

(Rs in Lakhs)

	Nylo Ltd.	Xylo Ltd.
Revenues	4,400	3,125
Cost of Goods Sold (excluding depreciation)	87.5%	89.0%
Depreciation	200	74
Tax rate	35%	35%
Working capital	10% of Revenue	10% of Revenue
Market value of Equity	2000	1300
Outstanding Debt	160	250

Both firms are expected to grow 5% a year in perpetuity. Capital spending is expected to be offset by depreciation. The beta for both firms are rated BBB, with an interest rate on their debt of 8.5% (the risk-free rate is 7%)
As a result of the merger, the combined firm is expected to have a cost of goods sold of only 86% of total revenue. The combined firm does not plan to borrow additional; debt.
(a) You are required to estimate the value of the combined firm, with no synergy,
(b) Estimate the value of the combined firm, with synergy. 15

7(a) Explain what is Tobin's Q? What are the circumstances when it is most useful?
(b)What are the limitations of EVA? 10+5

Get Information about high school and 10+2 schools in your city and state

http://www.howtoexam.com

8.Write short notes of the following

(a) Categories of Financial Assets

(b) NRV of Inventories

(c) Fair Market Value of Intangible Assets

5+5+5

HowToExam.com

Get Information about high school and 10+2 schools in your city and state