

RISHI BANKIM CHANDRA EVENING COLLEGE

M. Com 4th Semester Examination- 2022

CORPORATE RESTRUCTURING AND BUSINESS VALUATION

(COMPDSE08T) (F8)

Time: 2Hrs

Full Marks: 40

Group-A

Answer any **FIVE** from the following:

2x5=10

1. What do you mean by conglomerate merger?
2. What is operating synergy?
3. Mention any two limitations of discounted cash flow valuation.
4. What is contingent claim valuation
5. What do you mean by value? Differentiate between price and value.
6. What is leveraged buyout?
7. What is ESOP?
8. What is Divestiture?

GROUP B

PART I

Answer any **ONE** from the following:

1x5=5

9. Identify the sources of operating synergy. How do they contribute synergy?

10. Infinity Limited is intending to acquire Global Limited by merger and the following information is available in respect of both the companies

Particulars	Infinity Limited	Global Limited
No. of Equity Share	6,00,00	2,00,000
Profit after tax	INR 20,00,000	INR 10,00,000
Market price per share	INR 20	INR 15

Compute the following

- (i) EPS of both the companies
- (ii) Exchange Ratio

PART II

Answer any **ONE** from the following:

1x5=5

11. Alpha India Ltd. Is trying to buy Beta India Ltd. Beta Indian Ltd., a small biotechnology firm, develops products that are licensed to major pharmaceutical firms. The development costs are expected to generate negative cash flows of Rs. 10 lakhs during the first year of the forecast period. Licensing fee is expected to generate positive cash flow of Rs. 5, Rs. 10, Rs.15 and Rs. 20 lakh during 2nd, 3rd, 4th and 5th years, respectively. Due to the emergence of competitive products, cash flows

are expected to grow annually at a modest rate of 7 % after the 5th year. The cost of capital is 15%. Calculate the value of the firm.

12. Write a short note on ‘Asset Based Valuation Method’.

GROUP C

PART I

Answer any **ONE** from the following:

1x10=10

13. (a) Discuss the role of valuation in merger and acquisition decisions.
(b) How would you measure the impact of merger and acquisition decision on firm’s return?
14. A Ltd. is considering takeover of B Ltd. and C Ltd. The financial data for the three companies are as follows:

Particulars	A Ltd.	B Ltd.	C Ltd.
Equity Share Capital of Rs. 10 each (Rs. crores)	450	180	90
Earnings (Rs. crores)	90	18	18
Market price of each share (Rs.)	60	37	46

Calculate: (i) Price earnings ratios (ii) Earnings per share of A Ltd. after the acquisition of B Ltd. and C Ltd. separately. Will you recommend the merger of either/both of the companies? Justify your answer.

PART II

Answer any **ONE** from the following: 1x10=10

15. (a) Write short note on 'financial synergy' 6+4=10
(b) Distinguish between valuation and firm valuation.
16. (a) What do you mean by EVA
(b) State the limitations of EVA.
(c) Pizza Hut Ltd. has existing assets in which it has capital invested of Rs. 150 crores. The After Tax Operating Income is Rs. 20 crores & Company has a Cost of Capital of 12%. Estimate the Economic Value Added (EVA) 2+4+4=10