

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086
(For candidates admitted during the academic year 2019-20 and thereafter)

COURSE CODE: 19AF/ME/FV45

B.Com. DEGREE EXAMINATION – APRIL 2022
ACCOUNTING & FINANCE
FOURTH SEMESTER

COURSE : MAJOR ELECTIVE
COURSE TITLE : FINANCIAL ANALYSIS AND BUSINESS VALUATION
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION - A

Answer ALL the questions:

(10 x 2 = 20)

1. State the need for Financial Analysis.
2. What is an Off Balance Sheet item? Give examples.
3. Write a short note on Corporate Debt instruments.
4. List the uses of Financial Modeling.
5. What are 'Sustainable Earnings'?
6. Name any four indicators of Distress in a company.
7. What are the different forms of payments used in case of Acquisitions?
8. What do you know about the three-stage discount model of Valuation?
9. From the following data extracted from the records of a company, account for the changes in sales value due to changes in selling price and quantity:

Year	2018-19	2019-20
Sales (Rs.)	5,00,000	8,40,000
Units Sold	10,000	14,000
10. A project costs Rs. 72,000 and is expected to generate cash inflows of Rs. 22,400 annually for 5 years. Calculate the IRR of the project.

SECTION - B

Answer any FIVE questions:

(5 x 8 = 40)

11. Explain the different types of Financial Statement Analysis.
12. Discuss the process of Financial Modeling and list out its applications.
13. Discuss the uses of the various Project Appraisal techniques.
14. Explain Du pont analysis and its benefits.
15. Elucidate the principles of valuation.
16. Describe the Approaches to Valuation in case of Mergers and Acquisitions.
17. From the following income statement, prepare a Common-Size Statement and also interpret the results:

Income Statement for the year ended 31st March

	2018 (Rs.)	2019 (Rs.)
Net Sales	10,50,000	13,50,000
Less: Cost of goods sold	5,70,000	6,45,000
Gross profit	4,80,000	7,05,000
Less: Other operating expenses	1,50,000	2,16,000
Operating profit	3,30,000	4,89,000
Less: Interest on long term debt	60,000	51,000
Profit before tax	2,70,000	4,38,000

SECTION - C**Answer any TWO questions:****(2 x 20 = 40)**

18. Discuss the various models of Business Valuation along with the advantages and disadvantages.
 19. Explain the methods of Valuation of Goodwill in detail.
 20. M & Co. furnished the following data for the years 2018-19 and 2019-20.
 You are required to calculate:
 (i) Percentage Change in Cost Price;
 (ii) Percentage Change in Selling Price and
 (iii) Account for Changes in Gross Profit in the year 2019.

	2018-19 (Rs.)	2019-20 (Rs.)
Net Sales	2,25,000	2,32,875
Less: Cost of goods sold	1,65,000	1,60,380
Gross profit	60,000	72,495

21. Guna Steels Ltd. is considering two mutually exclusive projects. Both require an initial cash outlay of Rs. 10,000 each and have a life of five years. The company's required rate of return is 10 % and pay tax at 50% rate. The projects will be depreciated on straight line basis. The profits expected to be generated by the projects are as follows:

Year	1	2	3	4	5
Project P (Rs.)	4000	4000	4000	4000	4000
Project Q (Rs.)	6000	3000	2000	5000	5000

You are required to calculate:

- The pay-back period of each project
- The average rate of return for each project
- The net present value and profitability index for each project
- The internal rate of return for each project

Which project should be accepted and why?
