GOA UNIVERSITY

T.Y.B.COM. (NEP) (Semester VI)

Subject Name: Corporate Restructuring and Valuation

Paper Title: Corporate Restructuring and Valuation **Paper Code: CCA-305**

Duration: 2:00 Hours **Total Marks: 80**

Instructions: i) All questions are compulsory
ii) All workings should form part of your answers
iii)Figures to the right indicate full marks

Q1. Answer the following questions: (8*2 =16 Marks)

i) What is corporate restructuring?
ii) Explain any one feature of amalgamation involving government companies.
iii) What is meant by the conceptual framework of mergers & acquisition?
iv) What is meant by financial restructuring?
v) Explain earnings-based valuation method.
vi) State the provisions of the Competition Act in restructuring.
vii) Mention any one reason for the growth of restructuring activities globally.
viii) What is beta in valuation?

Q2. A) Explain the objectives of corporate restructuring. (12 Marks)

OR

Q2. B) Explain the conditions for carrying forward losses and depreciation after amalgamation. (12 Marks)

Q2. C) Describe the cash flow-based valuation model. (4 Marks)

Q3. A) The following is the Balance-sheet of Teak Ltd. as on 31st March 2025

Liabilities	Amount (₹)	Assets	Amount (₹)
40,000 equity shares of ₹10 each	4,00,000	Goodwill	1,00,000
10,000, 10% preference shares of ₹10 each	1,00,000	Plant and Machinery	4,00,000
10% Debentures	2,00,000	Furniture	2,50,000
15% Loan	2,50,000	Stock	1,00,000
Creditors	1,50,000	Debtors	1,00,000
		Cash at Bank	1,30,000
		Profit & Loss balance	20,000
	11,00,000		11,00,000

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The company has incurred heavy losses over the past few years. To restore its financial stability, a scheme of reconstruction has been proposed as follows.

1. Equity shares to be reduced to ₹ 6 per share fully paid up and preference shares to Rs. 4
2. Expenses for reconstruction amounted to ₹. 20,000.
3. The Machinery is to be depreciated by 20%.
4. The value of furniture is to be decreased by ₹ 15,000.
5. Goodwill to be eliminated.
6. The Debenture holders took over the Stock and the Debtors in full satisfaction of their claims.

You are required to prepare capital reduction account and the balance sheet after the reconstruction has been done. (12 Marks)

Q3. B) The market price of an equity share of Tang Ltd. is ₹300. An acquiring company makes an offer to purchase the shares at ₹280 per share. Calculate (a) Discount per share and (b) Percentage of Discount. (4 Marks)

OR

Q3. C) A private company with strong financial performance merges into a larger listed company that has been facing losses, primarily to obtain the listed company's market status. Classify this merger and give reasons. (4 Marks)

Q4. A) The Balance Sheet of Tony Ltd. as on 31st March 2025 is given below:

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
20,000 Equity shares of ₹10/- each	2,00,000	Plant and machinery	2,00,000
12% Preference Share Capital @ ₹10each	1,00,000	Furniture	80,000
Profit and loss	1,12,000	Investment	1,00,000
10% Debentures	1,00,000	Stock	1,20,000
Secured loan	88,000	Sundry debtors	40,000
Proposed dividend	10,000	Cash and bank balance	10,000
		Other current assets	30,000
		Preliminary expenses	30,000
	6,10,000		**6,10,000**

Additional Information:

According to the valuation report prepared by professional valuers, the estimates are as follows: Machinery is revalued at ₹1,80,000 and Furniture should be depreciated by 10%. All other assets and liabilities are to be taken at their balance sheet values. You are required to calculate the Net Asset Value of the company and intrinsic value per equity share. (12 Marks)

Q4. B) Tiny Ltd. has reported the following financial information for the year under review: Earnings before interest and tax amounts to ₹6,00,000 lakhs, tax 30%, the total Capital Employed is ₹15,00,000 lakhs, and the company's Weighted Average Cost of Capital (WACC) is 11%. You are required to calculate the Economic Value Added (EVA) for the year. (4 Marks)

OR

Q4. C) Tarjan Ltd.'s equity shares are currently traded in the market at ₹300 per share. Another company intends to acquire a controlling interest in ABC Ltd. and has announced an offer price of

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₹380 per share to the existing shareholders. You are required to determine the amount of premium offered per share and the percentage of premium over the prevailing market price. (4 Marks)

Q5. A) Following information is available:

Investments in equity shares of	Initial Price ₹	Dividends ₹	Market price at the end of the year ₹	Beta risk factor
ABC Ltd.	20	5	50	0.9
XYZ Ltd.	30	5	65	0.8
PQR Ltd.	40	5	70	0.7
Government Securities	910	110	980	0.50

Risk free return may be taken at 12%. You are required to calculate the expected rate of returns of portfolio in each case using CAPM. (12 Marks)

Q5. B) The capital structure of Tikson company consists of Equity Share Capital (₹10 each) ₹.70,00,000/- Earnings before interest and tax ₹ 30,00,000, 10% Debentures ₹20,00,000.The company decides to repay 50% Debentures by issuing equity shares at ₹10 per share. Tax was 30%. You are required to calculate EPS after restructuring (4 Marks)

OR

Q5. C) In order to improve efficiency and increase market share, Vodafone India and Idea Cellular merged their operations and created a new entity to run the combined business. What type of corporate restructuring strategy does this represent? Explain its significance. (4 Marks)

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