

END SEMESTER EXAMINATION, MAY - 2026**B. B. A. Semester - VI****Subject Name: Business Valuation****Subject Code: BBAF201****Time allotted: 03 Hours****Max. Marks: 100****Note: Read all the instructions carefully.****Q.1 Attempt all questions (CO1,2)****(10x2=20Marks)**

- a. Define business valuation.
- b. State the meaning of value in valuation.
- c. Explain the purpose of business valuation.
- d. State the concept of fair market value.
- e. Distinguish between price and value.
- f. Describe intrinsic value.
- g. State the meaning of book value.
- h. Explain liquidation value.
- i. State the different approaches to business valuation.
- j. Explain salvage value.

Q.2 Attempt any five questions (CO3,4)**(5x4=20Marks)**

- a. Explain the use of financial ratios in evaluating business performance.
- b. Explain the FCFE approach in determining the value of equity shares.
- c. Discuss the concept of legal life and economic life in valuation of intangibles.
- d. Apply the concept of valuation to estimate the value of software assets.
- e. Apply the brand valuation concept in assessing a company's competitive advantage.
- f. Explain how Du Pont analysis helps in performance evaluation and decision-making related to business valuation.
- g. Briefly describe the brand valuation concept in assessing a company's competitive advantage.

Q.3 Attempt any three questions (CO 4,5)**(3x10=30Marks)**

- a. Describe the components involved in the Cost Approach of valuation. Explain replacement cost, reproduction cost, and various forms of depreciation, highlighting their role in determining the final value.
- b. **Describe the various methods used for valuation of land and building.** Explain the working and applicability of methods such as rental method, direct comparison method, profit method, cost method, and development method.
- c. The profits for 5 years are:

Year	Profit (₹)	Weight
1	60,000	1
2	70,000	2
3	80,000	3
4	90,000	4
5	100,000	5

Goodwill is valued at 2 years' purchase.

Find goodwill using weighted average profit method.

- d. Discuss the nature of intangible assets and their role in modern business valuation. Explain why intangible assets such as brand value, intellectual capital, and R&D are increasingly significant.

P.T.O./-

Q.4 Attempt any two questions (CO5,6)**(2x15=30Marks)**

- a. Omega Engineering Ltd. owns a specialized machine purchased five years ago for manufacturing precision components. The machine was initially considered state-of-the-art and contributed significantly to production efficiency. However, over time, several changes have affected its usefulness and value. First, the machine has undergone continuous usage, leading to wear and tear, breakdowns, and increased maintenance costs. Second, newer machines introduced in the market are more energy-efficient, faster, and capable of producing higher-quality output, making Omega's machine comparatively outdated. Third, due to changes in customer preferences and technological advancements in the industry, demand for the components produced by this machine has declined. Additionally, government regulations now require stricter environmental compliance, which the current machine only partially meets. The management is uncertain whether to continue using the machine, upgrade it, or replace it entirely. A valuer is appointed to assess the machine's current value by considering various forms of obsolescence.
- Identify and explain the different types of obsolescence affecting the machine.
 - Evaluate whether the machine should be retained, upgraded, or replaced, giving justified reasons.
 - Discuss how ignoring obsolescence may lead to incorrect valuation decisions.

- b. A company is considering an investment requiring an initial outlay of ₹300,000. The expected cash inflows and corresponding discount factors at 10% are given below:

Year	Cash Inflow (₹)	Discount Factor (10%)
1	70,000	0.909
2	80,000	0.826
3	90,000	0.751
4	100,000	0.683
5	110,000	0.621

You are required to:

- Calculate the Present Value (PV) of cash inflows for each year.
 - Determine the Net Present Value (NPV) of the project.
 - Evaluate the project and state whether it should be accepted or rejected, with reasons.
- c. A car is to be valued using the following factors:

Factor	Weightage	Grade (out of 10)
Age	15	7
Physical Condition	15	8
Mileage	10	7
Engine Performance	15	6
Fuel Efficiency	10	8
Maintenance History	10	9
Tyre Condition	10	7
Market Demand	15	8

Replacement cost of the car is ₹700,000.
Compute the value of the vehicle.
