



**FINAL EXAMINATION**  
**PRACTICE TEST PAPER**  
**PAPER – 20A**

**TERM – JUNE 2026**  
**SYLLABUS 2022**

**STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION**

**Time Allowed: 3 Hours**

**Full Marks: 100**

The figures in the margin on the right side indicate full marks.

**SECTION – A (Compulsory)**

**1. (a) Choose the correct option:**

**[15 x 2 = 30]**

- (i) The \_\_\_\_\_ ratios are used to compare financial statements of different size companies or the same company over different periods.
- (a) Common size
  - (b) DuPont
  - (c) Liquidity
  - (d) P/E
- (ii) Mura and Muri refer to \_\_\_\_\_ and \_\_\_\_\_ respectively
- (a) Unevenness, waste
  - (b) Unevenness, overburden
  - (c) Overburden, waste
  - (d) Overburden, poka-yoke
- (iii) A firm's marginal revenue is defined as:
- (a) ratio of total revenue to total quantity produced;
  - (b) The additional output produced by lowering price
  - (c) The additional revenue received due to technical innovation;
  - (d) The additional revenue received when selling one more unit of output.
- (iv) One of the following is not a qualitative method used for determining the level of risk of a business.
- (a) Brainstorming
  - (b) Computer simulation
  - (c) Evaluation for multidisciplinary groups
  - (d) Judgment of specialists and experts (Delphi Technique)
- (v) Companies that grow and earn a return on capital that exceeds their cost of capital create value.
- (a) Alfred Marshall
  - (b) Black scholes
  - (c) Michael Porter
  - (d) None of the above
- (vi) Which method in a capital budgeting is based on the discounted cash flow?
- (a) Net equity budgeting method
  - (b) Net capital budgeting method



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**STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION**

- (c) Net future value method
- (d) Net present value method

(vii) \_\_\_\_\_ assumes that an individual generates work value as he or she occupies and moves along organisation roles and renders service to the enterprise

- (a) Lev and Schwartz model
- (b) Flam Holtz's Stochastic Rewards Valuation Model
- (c) Multi period excess earnings method
- (d) None of the above

(viii) Credit rating AAA denotes for:

- (a) Extremely unlikely to default
- (b) Unlikely to default
- (c) Likely to default
- (d) Currently in default

(ix) If a bond of a company is trading at a premium in the market then its yield-to-maturity will be \_\_\_\_\_ its current yield.

- (a) more than
- (b) less than
- (c) same as
- (d) no effect on

(x) Which of the followings is not a attribute of good financial models

- (a) Realistic
- (b) Flexible
- (c) Hard coded values
- (d) Good documentation

(b) Read the following scenario and answer the following questions:

There are four firms (A, B, C and D) which operate under similar conditions and are comparable. The top management of Firm B is worried about the profitability of the firm and anticipates that the firm's operational efficiency is relatively poor which is projected in declining market share of the company as well as other operational ratios.

Miss Lizi, the cost accountant of Firm B has been authorized by the top management to look into the matter and report back. Miss Lizi is able to extract the following data of the four firms.

Firm	Capital Employed (₹ in Millions)	Value added (₹ in Millions)
A	8.6	1.8
B	2.2	0.2



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**STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION**

C	15.6	2.8
D	31.6	4.1

She is of the opinion that the value added is the comparable output and the capital employed is the comparable input. Accordingly, she extracts the data of the two variables across the four firms.

Choose the correct option from the given alternatives based on the above scenario:

**(i)** Which firm has the highest efficiency?

- (a) A
- (b) B
- (c) C
- (d) D

**(ii)** Relative efficiency of Firm B is

- (a) 85.88
- (b) 43.40
- (c) 62.08
- (d) 100

**(iii)** For inefficient firm,

- (a) Input Target = Actual Input
- (b) Input Target > Actual Input
- (c) Input Target < Actual Input
- (d) Input Target = Input Slack

**(iv)** Input slack for Firm B is

- (a) 2.2
- (b) 1.245
- (c) 0
- (d) 0.955

**(v)** Output Target for Firm B is

- (a) ₹46 million
- (b) ₹0.26 million
- (c) ₹0.95 million
- (d) ₹0.80 million



**FINAL EXAMINATION**  
**PRACTICE TEST PAPER**  
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**TERM – JUNE 2026**  
**SYLLABUS 2022**

**STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION**

**SECTION – B**

**(Answer any five questions out of seven questions given. Each question carries 14 Marks.)**

**[5x14=70]**

2. (a) An efficiently operated Order to Cash (O2C) process creates a seamless value chain between the customer and the business. In light of the statement, Explain the practices used for optimisation of O2C process. [7]
- (b) Describe the Four Perspectives of Balanced Scorecard. [7]
3. (a) Given the cost function of a firm  
 $Cost = 300x - 10x^2 + (1/3)x^3$ ,  
Calculate:  
(i) Output at which Marginal Cost is minimum.  
(ii) Output at which Average Cost is minimum.  
(iii) Output at which Marginal Cost = Average Cost. [7]
- (b) Describe the Risk Retention? Explain the reasons for adopting a Risk Retention strategy? [7]
4. (a) The following financial data for two years has been extracted from the Annual Report 2024-25 of one of the world's largest generic pharmaceutical companies having a strong presence in over 170 countries. Though the company's mission is — 'To be a leading global healthcare company which uses technology and innovation to meet every day needs of all patients', yet it also wants to keep its shareholders happy by giving them a fair rate of return. For gauging return for shareholders, the company is using Return on Equity (ROE) as one of the metrics of performance evaluation. Because of intense competition, in recent years, its ROE is under pressure and to maintain the level of ROE, the company is changing its business model — in that, it is varying its margins, assets utilization and leverage.  
Use suitable DU PONT Analysis by using the financial data given below.  
Critically assess how the ROE of the company is changing due to its margins, assets utilization and leverage over a period of two years. Evaluate the change in these parameters and Recommend your comments accordingly

(₹ In Lakh)		
Statement of Profit and Loss	2024	2025
Relevant financial data		
Total Revenue	7,125.80	8,431.55
Profit before Tax	1,421.46	2,011.86
Profit after Tax	1,123.96	1,507.11
Dividend	160.58	160.58
Tax on Dividend	26.05	27.29
Retained Earnings	937.32	1,319.24



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**TERM – JUNE 2026**  
**SYLLABUS 2022**

**STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION**

<b>Balance Sheet</b>	<b>(₹ In Lakh)</b>	
	<b>2024</b>	<b>2025</b>
<b>ASSETS:</b>		
Fixed Assets	3,346.11	3,768.63
Investments (Current and Non-Current)	1,035.15	2,601.82
Other Net Assets (Current and Non-Current)	3,413.67	3,746.08
Total	7,794.93	10,116.53
<b>EQUITY AND LIABILITIES:</b>		
Share Capital	160.58	160.58
Reserves and Surplus	7,389.70	8,708.94
Net Worth	7,550.28	8,869.52
Loan Funds (Current and Non-Current)	12.20	965.81
Other Current Liabilities	232.45	281.20
Total	7,794.93	10,116.53

[7]

- (b) Fairy Tale Co. Ltd. has applied for a loan at Maharashtra Credit Bank. Sri Arun Pilgaonkar, the credit analyst of the bank is apprehensive of manipulations in operations as he fears that earnings manipulation is the most distinctive aspect of financial distress. He desires to calculate the Beneish M Score as this according to him is the best model to predict the degree of earnings manipulation.

For this purpose, he furnishes the eight indices as stipulated by the said model:

Index	Score
DSRI	0.500
GMI	1.210
AQI	0.810
SGI	1.250
DEPI	0.904
SGAI	0.730
LVGI	0.400
TATA	0.005

Required:

Calculate Beneish M-score of the company and advise Sri Pilgaonkar whether the company is susceptible to earnings manipulation.

[Note: Restrict your calculations up to three decimal places]

[7]

5. (a) ABC Ltd. and PQRS Ltd. are in the same risk class and are similar in every respect except that ABC Ltd. is a levered firm, while PQRS Ltd. is unlevered, ABC Ltd. has ₹ 12,00,000 debentures worth carrying 12% rate of interest. Both the firms earn 18% before interest and taxes on their total assets of ₹ 22 lakh. Assuming a tax rate of 50% and a capitalization rate of 14% for the unlevered firm. Calculate the value of both the firms using Net Income approach.

[7]

- (b) The following information is available pertaining to Sundar Televisions Ltd. for the financial year ending on 31.03.2024.

Particulars	Amount (₹ in Crores)
Sales	250



**FINAL EXAMINATION**  
**PRACTICE TEST PAPER**  
**PAPER – 20A**

**TERM – JUNE 2026**  
**SYLLABUS 2022**

**STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION**

Profit after tax	40
Book value	100

The valuer appointed by the company believes that 50% weightage should be given to the earnings in valuation process. He also believes that equal weightage may be given to sales and book value. He has identified three firms viz., Alpha Ltd, Beta Ltd., and Gamma Ltd., which are comparable to the operations of Smart Televisions Ltd.

Particulars	Alpha Ltd. (₹ in Crores)	Beta Ltd. (₹ in Crores)	Gamma Ltd. (₹ in Crores)
Sales	190	210	270
Profit after tax	30	44	50
Book value	96	110	128
Market value	230	290	440

Required:

Calculate the value of Sundar Televisions Ltd. using the comparable firm's approach. [7]

6. (a) Panda Limited holds 4,00,000 shares of AMGI Limited at cost of ₹ 48,00,000. The following is the latest available Balance Sheet of AMGI Limited:

Particulars	₹
Equity Share Capital	1,00,00,000
Other Equity	2,40,47,110
Non-Current Liabilities	22,30,898
Total Liabilities and Equity	3,62,78,008
Non-Current Assets	2,40,13,129
Net Working Capital	1,22,64,879
Total Assets	3,62,78,008

Additional Information includes:

- I. The Face Value per share is ₹ 10/-.
- II. (II) Non-Current Asset of AMGI Ltd includes Land at Cost of ₹ 1,00,00,000. The Fair Value of such Land is estimated at ₹ 1,75,00,000.
- III. AMGI Ltd. has a contingent liability of ₹ 12,00,000 which is not reflected in the Balance Sheet. As a Valuer, you believe that this contingent liability is likely to be incurred.

You are required to Calculate:

- (i) the fair value per share of AMGI Ltd.
- (ii) the fair value of investments in AMGI Ltd. in the books of Panda Limited.
- (iii) the Compounded Annual Growth Rate (CAGR) Change in value of investment if the investment was made 4 Years ago. [7]



**FINAL EXAMINATION**  
**PRACTICE TEST PAPER**  
**PAPER – 20A**

**TERM – JUNE 2026**  
**SYLLABUS 2022**

**STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION**

(b) A valuer has obtained the following information regarding Infolink Ltd:

Number of equities shares outstanding	₹ 300,000
Market price per share	₹ 20
Market value of Preference Shares	₹ 15,00,000
Market value of debt	₹ 35,00,000
Cash and short-term investments	₹ 8,00,000
Revenues	₹ 95,00,000
Depreciation and amortization expense	₹ 6,00,000
Interest expense	₹ 1,00,000
Taxes	₹ 3,50,000
Net Profit	₹ 14,00,000

(i) Calculate the EV/EBITDA Ratio

(ii) E-Link Ltd has reported an EBITDA of ₹27,00,000 and is a comparable company to Infolink Ltd. Calculate the Enterprise Value of E-Link Ltd. [7]

7. (a) Preetam Ltd. is considering acquisition of Soham & Co. which has 3.10 crore shares issued and outstanding. The market price per share of Soham & Co is ₹ 440 at present. Preetam Ltd.'s average cost of capital is 12%. The cash inflows of Soham & Co. for the next three years are as under:

Year	₹ Crore
1	460
2	600
3	740

You are required to calculate the range of valuation that Preetam Ltd. has to consider. P.V.F. @12% for 3 years are 0.893, 0.797 and 0.712 respectively. [7]

(b) The shareholders of A Co. Ltd., have voted in favour of a buyout offer from B Co. Ltd. Information about each firm is given here below. Moreover, A Co. Ltd.'s shareholders will receive one share of B Co. Ltd. Stock for every three shares they hold in A Co. Ltd.

Particulars	B Co. Ltd.	A Co. Ltd.
Present earnings (in ₹)	6.75	3.00
EPS (in ₹).	3.97	5.00
Number of share (Lakhs)	1.70	0.60
P/E ratio	20	5

(i) Calculate the EPS of B Co. Ltd., after the merger? Calculate the PE ratio if the NPV of the acquisition is zero?

(ii) Calculate, what B Co. Ltd. might consider to be the value of the synergy between the firms? [7]

8. (a) Mr. Jagdish owns a Drug Store, located in Maliwara Ghaziabad. The drug store sells pharmaceuticals, cosmetics, toiletries, magazines, and various novelties. The most recent annual net income statement of drug store



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**PRACTICE TEST PAPER**  
**PAPER – 20A**

**TERM – JUNE 2026**  
**SYLLABUS 2022**

**STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION**

is as follows:

	<b>Amount in ₹</b>
Sales revenue	18,00,000
Costs:	
Cost of goods sold	12,60,000
Wages and Salaries	2,00,000
Rent	1,20,000
Depreciation	60,000
Utilities	40,000
Miscellaneous	30,000
Total costs	17,10,000
Net profit before tax	90,000

Drug Store's sales and expenses have remained relatively constant over the past few years and are expected to continue unchanged in the near future. To increase sales, Drug Store is considering using some floor space for a small soda fountain. Drug Store would operate the soda fountain for an initial three-year period and then would re-evaluate its profitability. The soda fountain would require an incremental investment of ₹ 20,000 to lease furniture, equipment, utensils, and so on. This is the only capital investment required during the three-year period. At the end of that time, additional capital would be required to continue operating the soda fountain, and no capital would be recovered if it were shut down. The soda fountain is expected to have annual sales of ₹100,000 and food and materials expenses of ₹20,000 per year. The soda fountain is also expected to increase wage and salary expenses by 8% and utility expenses by 5%. Because the soda fountain will reduce the floor space available for display of other merchandise, sales of non-soda fountain items are expected to decline by 10%.

Required:

- (i) Calculate net incremental cash flows for the soda fountain.
  - (ii) Assume that Drug Store has the capital necessary to install the soda fountain and that he places a 12% opportunity cost on those funds. Should the soda fountain be installed? Why or why not? [7]
- (b) Acquiring company is considering the acquisition of Target Company in a stock-for-stock transaction in which target Company would receive ₹90 for each share of its common stock. The Acquiring company does not expect any change in its price/ earnings ratio multiple after the merger and chooses to value the Target Company conservatively by assuming no earnings growth due to synergy.

The following additional information is available:

<b>Particulars</b>	<b>Acquiring</b>	<b>Target</b>
Earnings	₹ 2,50,000	₹ 72,500
Number of Shares	1,10,000	20,000
Market Price per Share	₹ 50	₹ 60



**FINAL EXAMINATION**  
**PRACTICE TEST PAPER**  
**PAPER – 20A**

**TERM – JUNE 2026**  
**SYLLABUS 2022**

**STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION**

Required:

Calculate:

- (i) The purchase price premium
- (ii) The exchange ratio
- (iii) The number of new shares issued by the acquiring company
- (iv) Post-merger EPS of the combined firms
- (v) Pre-merger EPS of the Acquiring company
- (vi) Pre-merger P/E ratio
- (vii) Post-merger share price.

[7]