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UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
SEMESTER I
SESSION 2012/2013**

COURSE NAME : BUSINESS VALUATION
COURSE CODE : BPE 44903
PROGRAM ME : 3 BPD
EXAMINATION DATE : DECEMBER 2012/JANUARY 2013
DURATION : 3 HOURS
INSTRUCTION : ANSWER ALL QUESTIONS

THIS QUESTION PAPER CONSISTS OF FOUR (4) PAGES

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Q1 In valuing a business there are number of factors that need to be considered that will affect value. Equally important is to understand different forms of business structure since this will have significant effect on the value of a business.

(a) Discuss factors that affect value of a business

(15 marks)

(b) Explain the differences between business firm and company limited by shares

(10 marks)

Q2 For public listed companies, information about its financial standing is publicly available through its annual report or from other sources such as third-party data provider. There are numbers of important information including the structure of board of directors and other corporate governance information. However, for a business analyst what important is the information on company's financial structure.

(a) Explain the importance of financial information in business valuation.

(10 marks)

(b) Discuss the role of the following financial statements that can be found in a company's annual report.

i. Statement of balance sheet

(5 marks)

ii. Statement of income

(5 marks)

iii. Statement of cash-flow

(5 marks)

- Q3** You have been appointed as the new investment analyst in Mega Corp Bhd, which is planning to acquire the entire shares of Maju Plantation Bhd. The following Table Q3 is the information related to Maju Plantation Bhd.

Table Q3: Selected Financial Information of Maju Plantation Bhd

Year	Dividend payment RM/share	Total Assets (Book Value) (RM) as at 31 Dec 2012 (unaudited)	Total Liabilities(RM) as at 31 Dec 2012
2012	3.50 (paid)	RM 380 Mil (inclusive of RM300 Mil. plantation lands)	RM 50 Mil
2013	3.85 (forecast)		
2014	4.24 (forecast)		
2015	4.66 (forecast)		
2016 to infinity	4.89 (forecast)		

Other information:

- Total paid up capital of Maju Plantation as at 31st December 2012 is RM 5,000,000 @ par value/share at RM0.50 and fully paid.
- The investment policy of Mega Corp Bhd indicated, the require rate of return on investment is at 15%

- (a) Calculate the value of Maju Plantation Bhd using the dividend-growth model valuation which stated as;

$$P_0 = \sum_{t=1}^N \frac{D_0 \times (1 + g_1)^t}{(1 + r_s)^t} + \left[\frac{1}{(1 + r_s)^N} \times \frac{D_{N+1}}{r_s - g_2} \right]$$

(12 marks)

- (b) During the due diligent, you have found that the company has done the revaluation of property on the plantation lands. It was found that 10% increases in value have not been reflected in the unaudited company's Balance Sheet.

Calculate the value of Maju Plantation Bhd, using assets-based valuation model.

(7 marks)

- (c) If the boards of Maju Plantation have agreed to sell the company including the entire assets and liabilities at RM 420 million,

Outline **TWO (2)** justifications to Mega Corp Bhd on the propose value by Maju Plantation Sdn Bhd

(6 marks)

- Q4 (a)** Rapid Fleet Sdn Bhd is a subsidiary company of Blue Mountain Bhd. The board directors of the Blue Mountain Bhd have decided to divest this subsidiary company in line with the group strategy to focus only on property business. The following financial information in table Q4(a) is related to Rapid Fleet Sdn Bhd.

Table Q4(a): Selected Financial Information of Rapid Fleet Sdn Bhd

Year _(t)	FCF _(t) (RM)	Other information
2013	410,000	<ul style="list-style-type: none"> • Growth rate of FCF beyond 2017, $g_{FCF} = 3\%$ • WACC, $r_a = 9\%$ • Market value of debt, $V_D = \text{RM}3,100,000$ • Market value of preferred stock, $V_P = \text{RM}800,000$.
2014	460,000	
2015	530,000	
2016	570,000	
2017	610,000	

Calculate the value common stocks which represent the value of Blue Mountain's equity in Rapid Fleet Sdn Bhd using the Free Cash Flow (FCF) method.

(12 marks)

- (b) The following table Q4(b) is information for Firm A and Firm B

Table 4(b): Information of Firm A and Firm B

Firm A (unlisted)	Firm B (listed)
Type of business : Rubber Plantation	Type of Business: Rubber Plantation
Forecasted EPS = RM1.50	Forecasted EPS = RM0.80
Current market price = Unknown due to it is unlisted company	Current market price = RM20 per share
Paid up capital =RM 1,000,000 @ par value RM0.50/share	Paid up capital = RM 1,000,000 @ par value RM0.50/share

Calculate the value of Firm A and B

(7 marks)

- (a) Explain **THREE (3)** purpose of business valuation

(6 marks)

- END OF QUESTION -