your overall performance needs to improve. You need to attempt more questions in written format to improve mistakes in short concepts.Cash flow part and related approaches need to study again. try to work on your mistakes properly and do more practice on your weak points. try hard to get more good score in exam . personally recommend you to attempt atleast 12 questions from revision test papers, mock test papers , past exams at least one in a day you will find variety of questions and you will never get disappointed in exam hall.

Test - 13

Question No (1) :-

(a) Offer Price for little, 8 h? value of little with forward P/E multiple :-

2 marks

market Price capitalization = Earnings X P/E ratio

= 86000 X 8 times

= ₹ 6,88,000.

well solved

TM-14

(b) calculation of cost of capital

Cost of capital = Riskfree rate + Beta (market Portfolio − Riskfree rate)

= 6% + 1.6 (11% − 6%)

= 14%

you have correctly solved this

(C) :- offer Price based on DCF - method :-

impact of discount wrongly considered

You are using wrong approach here

Year	CF	Discount factor.	Disc.C.F
1	25000	0.877	21925
2	30,000	0.769	23070
3	35000	0.675	23625
4 onward (W.N 1)	3,90,000	0.592	2,30,880
			2,99,500.

860,729

CF wrongly taken

W.N (1)

CF Perpetual = 39000 / (14% − 4%) = 390000

you need to calculate all the required parts of the question

∴ offer Price = 2,99,500.

Test -13

Question No. (2):- 3 marks

Workings:-

give heading to the calculation

Particulars	Bank P	Bank R
Gross NPA	5%	40%
CAR	16%	4%
Market Price	128	8
Book value	600	21

second adjustment regarding changes in book value not considered

adjustments are not accurate here

Book value:-

Particulars	R	₹
Capital (Book value)	210 lacs (140+70)	6600 (5500+500)
Shares Price	10 lacs	100

Try to avoid cutting initially, it gives a bad impression on the examiner

Book value per share	21	600

(a) Swap ratio

$\frac{5}{40} \times 30\% = 0.0375$

here shortly mention what these figures represent

$\frac{4}{16} \times 20\% = 0.05$

your understanding is good

$\frac{8}{128} \times 40\% = 0.025$

$\frac{21}{600} \times 10\% = 0.0035$

0.116 0.125

Exchange ratio = 0.116 be careful while calculating

for one share of ₹ Bank R, 0.116 shares of ₹ Bank P issued.

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Date:

Ques (13)

(b) :-

No. of shares issued

= 21,00,000 shares × 0.116

= 24,36,000 shares issued

shares wrongly taken

Rs. 17.50 lac

you have wrongly calculated this

(c) Balance sheet after merger :-

Capital Reserve :-

Book value	210 ~~lakhs~~ :- Rs. 17.50 lac
less shares issued	24.36 lakhs
Capital Reserve	185.64 Rs. 192.50 lac

These values are also affected due to above incorrect calculations

basics are wrongly considered

~~Balance Sheet~~

Paid up ~~Share~~ capital	524.36 517.50	Cash in hand & RBI	2900
~~Reserves & Surplus~~	~~5500~~	Other Banks	2000
~~Capital Reserve~~	185.64 192.50	Investments	16100
Deposits	44000	Advances	30500
other liabilities	3390	other Assets	2100
Total	53600		53600

You required more practice in this type of questions.

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Test (13)

(a) Cal. of CAR & Gross NPA after merger :-

$$CAR = \frac{\text{capital}}{\text{Risk weighted Assets}}$$

Particulars	P	R	merged
CAR	16%	4%	
capital	6000	210	6210
Risk weighted asset	37500	5250	48000

Rs. 42750 lac

One little calculation mistake can affect your overall performance.

$$CAR \text{ of merged Bank} = \frac{6210}{48000} \times 100$$

$$= 12.94\% \quad 14.53\%$$

capital part is not adjusted as per the requirement of the question

$$\text{Gross NPA} = \frac{\text{Gross NPA}}{\text{Advances}}$$

Particulars	P	R	merger.
Gross NPA %	5%	40%	
Advances	27000	3500	
Gross NPA (value)	1350	1400	2750.

well attempted

$$\text{Gross NPA (\%) merged Bank} = \frac{2750}{30500} \times 100$$

Do practice to get better scores

$$= 9.016\%$$

Test (13)

Q4):- 2 marks

give heading with date

Particulars	Abhiman ltd	Abhishek ltd
Share capital	200 lakh	100 lakh
Free Reserved & Capital	800 lakh	500 lakh
	1000 lakh	600 lakh
No. of Shares	2 lakh	10 lakh
Book value Per share	500	60

all components are accurately adjusted here

free float market capital	400	128
Total market capital	800 (400/50%)	320 (128/40%)
No. of shares	2 lakh	10 lakh
MPS	400	32
PE ratio	10	4
EPS (MPS / PE ratio)	40	8

you have done this question very nicely, well done

(a) swap ratio.

Book value = $\frac{60}{500} \times 25\% = 0.03$

EPS = $\frac{8}{40} \times 50\% = 0.1$

MPS = $\frac{32}{400} \times 25\% = 0.02$

0.15

good clarification

For one share of Abhishek ltd, 0.15 share of Abhiman ltd shares issued.

This has been profoundly answered by you.

No. of shares issued = $10,00,000 \times 0.15$

$= 1,50,000$

Test (13)

(b) :-

2 marks

Book value after Acquisition

$= \frac{1600 \text{ lakh}}{3,50,000}$

$= 457.14.$

This is an error-free answer. Good job!

$EPS = \frac{(2 \text{ lakh} \times 40) + (10 \text{ lakh} \times 8)}{3.5 \text{ lakh}}$

$= \frac{160 \text{ lakh}}{3.5 \text{ lakh shares}}$

$= 45.71.$

Your way of presenting this answer is very well. Keep it up.

$MPS = EPS \times PE \text{ ratio}$

$= 45.71 \times 10$

$= 457.10$

Refer to the same strategy in your exam.

try to calculate all the required parts of the question

Test (13)

Q5 · 5 marks

Particulars heading ?	Solid	Fluid
MPS	300	195
EPS	12	6

keep up the good work

(a) Exchange ratio based on EPS:-

$$\text{Share Exchange ratio} = \frac{\text{EPS of Fluid}}{\text{EPS of Solid}}$$

$$= \frac{6}{12}$$

$$= 0.5$$

approach is good

well solved

For every share of Fluid, 0.5 shares of solid is issued.

No. of shares issued = 20 Cr × 0.5
= 10 Cr shares

(b) Exchange ratio based on MPS:-

$$\text{Exchange ratio} = \frac{195}{300}$$

$$= 0.65$$

This question has been attempted correctly; however, presentation part can be worked upon.

For every share of Fluid, 0.65 shares of solid is issued

No. of shares issued = 20 Cr shares × 0.65
= 13 Cr shares.

Test (13)

(Q) :-

Exchange ratio = 3/5

= 0.60

you have correctly solved this.

Every one share of Fluid, 0.60 shares of solid is issued.

No. of shares issued = 0.60 × 20 Cr

understanding is good

= 12 Cr shares.

Cal. of EPS under EPS exchange ratio

$$= \frac{(30\text{ Cr} \times 12) + (20\text{ Cr} \times 6)}{40\text{ Cr}}$$

You have attempted this question with great accuracy. Good job.

$$= \frac{480\text{ Cr}}{40\text{ Cr}}$$

= 12

MPS = EPS × PE ratio

= 12 × 25

= 300

P. E ratio = 300/12 = 25.

You have good practical knowledge about this question can apply same approach in exams.

Cal. of EPS and MPS under Exchange ratio based on MPS :-

EPS = Earnings / No. of shares

= 480 Cr / 43 Cr

= 11.163 be careful while calculating

Test (13)

MPS = EPS x PE ratio

= 11.163 x 25

= 279.10

well solved

Cal. of EPS and MPS under :- (c) option :-

EPS = 480 Cr / 42 Cr

= 11.43

MPS = EPS x PE ratio

= 11.43 x 25

= 285.75.

Try to solve your answers with neat and clean hands without frequent cutting.