



**FINAL EXAMINATION**  
**MODEL QUESTION PAPER**  
**PAPER – 20A**

**SET 1**  
**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 from the four alternatives given: [10 × 2 = 20]**

- (i) In Supply Chain Management, ATP stands for \_\_\_\_\_.  
(A) Acquire, Track & Perform  
(B) Available to Promise  
(C) Access to Point  
(D) Active Transport Protocol
- (ii) Arrange the five measurements below in the order of cause-and-effect \_\_\_\_\_.  
a. Improve customer loyalty.  
b. Improve return on capital employed.  
c. Improve repeat and expanded sales.  
d. Improve cycle time.  
e. Improve on time delivery to customers  
(A)  $b \rightarrow c \rightarrow a \rightarrow e \rightarrow d$   
(B)  $e \rightarrow d \rightarrow c \rightarrow a \rightarrow b$   
(C)  $d \rightarrow e \rightarrow a \rightarrow c \rightarrow b$   
(D)  $a \rightarrow d \rightarrow e \rightarrow b \rightarrow c$
- (iii) Pareto Improvement is an action that makes \_\_\_\_\_.  
(A) Both the person better off  
(B) At least one person worse off  
(C) At least one person worse off without making anyone better off  
(D) At least one person better off without making anyone worse off
- (iv) When portfolio risk comprising of two securities A & B is -1, \_\_\_\_\_.  
(A) it does nothing to help reduce risk  
(B) the overall portfolio risk can be eliminated  
(C) systematic risk can be diversified  
(D) political risk can be diversified
- (v) Tangible assets are usually valued using any of the following premises except \_\_\_\_\_.  
(A) Going Concern  
(B) Forced Sale  
(C) Orderly liquidation  
(D) Highest and best use



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- (vi) Advik & Co's debt is twice that of the equity. The required returns on the company's debt and equity are 8% and 10%, respectively. The company's marginal tax rate is 30%. The WACC of Advik & Co is closest to:
- (A) 6.07%  
(B) 7.07%  
(C) 8.67%  
(D) 8.07%
- (vii) Which valuation method is primarily used to value franchise agreements and certain licenses?
- (A) Relief-from-royalty method  
(B) Multi period excess earning method  
(C) Greenfield method  
(D) With and without method
- (viii) Current forecasts are for JSB Estates to pay dividends of ₹3, ₹3.24 & ₹3.50 over the next years respectively. At the end of three years, you anticipate selling your stock at a market price of ₹94.48. What is the price of the stock given a 12% expected return?
- (A) ₹75.00  
(B) ₹70.00  
(C) ₹104.22  
(D) ₹84.74
- (ix) X Ltd. has ₹100 crores worth of common equity comprising of 50 lakh shares. The company's market value added is ₹24 crores. What is company's stock price?
- (A) 230  
(B) 248  
(C) 238  
(D) 264
- (x) An acquisition is being considered where the acquirer would pay ₹200 million for a target company that has a standalone value of ₹150 million. The acquirer has estimated ₹60 million in synergies, but expects the cost of integration to be ₹20 million. What is the net gain or loss?
- (A) ₹10 million net loss  
(B) ₹10 million net gain  
(C) ₹30 million net loss  
(D) ₹30 million net gain

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

Asterix Pharmaceuticals Ltd. is a mid-sized pharmaceutical firm with 3 strategic business units (SBUs):

- Formulations Division (FD)
- Active Pharmaceutical Ingredients (API) Division
- Research & Development (R&D) Division

Management introduced a Balanced Scorecard (BSC) framework aligned with their cost leadership and innovation strategies. Key metrics and data from the latest fiscal year are as follows:



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Division	Operating Profit (₹ lakhs)	Capital Employed (₹ lakhs)	WACC (%)	Customer satisfaction (out of 100)	Employee training hours / year
FD	1,800	9,000	12	86	22
API	1,400	7,000	11	78	18
R&D	-300	5,000	14	90	50

Additional Info:

- ❖ The firm uses EVA, Residual Income, and BSC perspectives to evaluate performance.
- ❖ Industry benchmark ROI for similar divisions is 18%.
- ❖ R&D division is not expected to generate immediate profits; its performance is assessed using non-financial indicators and value creation potential.

**Answer the following questions based on the above scenario.**

- (xi) What is the EVA of the API Division?
- (A) ₹630 lakhs  
(B) ₹1,400 lakhs  
(C) ₹620 lakhs  
(D) ₹1,330 lakhs
- (xii) Which divisions have outperformed the industry benchmark ROI of 18%?
- (A) FD and R&D  
(B) API and R&D  
(C) FD& API  
(D) API
- (xiii) Based on Balanced Scorecard's Learning & Growth perspective, which division is performing best?
- (A) RD  
(B) API  
(C) FD  
(D) All are performing at the same level
- (xiv) If Asterix plans to benchmark non-financial performance, which combination of metrics below would be MOST appropriate for the R&D division?
- (A) Operating profit, ROI  
(B) Capital Employed, WACC  
(C) EVA, Training hours  
(D) Customer Satisfaction, Employee Training Hours
- (xv) What strategic insight does the negative EVA and ROI of the R&D division provide in the context of long-term strategic performance management?
- (A) R&D should be shut down due to poor returns.  
(B) Financial metrics alone are insufficient to evaluate R&D  
(C) R&D is underperforming due to capital misallocation  
(D) EVA is not applicable for R&D

**(5×2 = 10)**



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**Section – B**

[Answer any five questions from Question No. 2 to 8. Each question carries 14 marks.]

[5 × 14 = 70]

2. (a) Describe Customer Relationship Management (CRM) and explain its primary objective in a business context. Further, identify and explain the five common misrepresentations of CRM. [7]
- (b) In today's competitive manufacturing landscape, operational excellence is no longer optional—it's essential. With this in mind, describe the core principles of Lean Manufacturing and explain the 5S methodology within the Lean framework. [7]
3. (a) A company produces two products x and y. The total Profit (in ₹ 000) earned by the company is expressed algebraically by the function  $P = 100x - x^2 - 2xy + 200y - 3y^2$ . Calculate the Profit maximizing quantities of the products. Also calculate the maximum Profit. [7]
- (b) Explain briefly the Risk Enabled Performance Management (REPM). Summarize the focus areas of the traditional ERM and also classify the areas of practices based on which transformation to REPM are done. [7]
4. (a) The following is the extracts from the financial records of Linku LLP and Pinku LLP:

(₹ in Thousands)

	Linku LLP		Pinku LLP.	
	2024	2023	2024	2023
Net Income	1,000	1,200	2,100	2,100
Revenue from operation	10,000	10,000	17,500	17,500
Average Assets	5,000	4,800	8,750	8,750
Average Equity	2,000	2,000	5,000	3,500

You are required to calculate the ROE of both the companies for both the years and explain the performance of the two companies on the basis of the DuPont analysis. [7]

- (b) Beneish M-score analysis for The Finshore Co. (TFC) is shown in the following table:

Index	Score
DSRI	1.19
GMI	0.88
AQI	0.90
SGI	1.12
DEPI	1.19
SGAI	0.78
LVGI	0.12
TATA	0.55

Calculate the Beneish M-score of the company. Further, explain the implications of the DSRI and DEPI variables for TFC. [7]



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5. (a) Baazee.com, a book selling company reported earnings per share of ₹2.40 in 2024-25 and paid dividends per share of ₹1.06. The earnings had grown 7.5% a year over the prior five years and were expected to grow 6% per year in the long term (starting in 2025-26). The stock had a beta of 1.05 and traded for ten times earnings. The Treasury bond rate is 7% and the market risk premium is 5.5%.
- (i) Apply the earnings valuation model to calculate the P/E ratio for Baazee.com.
- (ii) Calculate the long-term growth rate implied in the firm's current P/E ratio.
- (iii) Also Calculate the value of an equity share assuming a P/E ratio of 8 and current EPS. [7]
- (b) The valuation of Advik Inc. has been done by an investment analyst. Based on an expected free cash flow of ₹ 54 lakhs for the following year and an expected growth rate of 9%, the analyst has estimated the value of Advik Inc. to be ₹1,800 lakh. However, he committed a mistake of using the book values of debt and equity. The book value weights employed by the analyst are not known, but you know that Advik Inc. has a cost of equity of 20% and post-tax cost of debit of 10%. The value of equity is thrice its book value, whereas the market value of its debt is nine-tenths of its book value. Calculate the correct value of Advik Inc. [7]
6. (a) EduZone Ltd. engaged in providing coaching to commerce students has a capital base of ₹1 crore and has earned a profit of ₹11 lakhs. Return on investment among the peer companies is 12.5%. The company is considering hiring CMA Dinesh and as a result it is expected that profits will increase by ₹2.50 lakhs over and above the target profit. Calculate the amount of maximum bid price EduZone Ltd. can offer for CMA Dinesh and maximum salary that could be offered to him. [7]
- (b) Goodluck Ltd. has developed a high-tech product which has reduced the Carbon emission from the burning of the fossil fuel. The product is in high demand. The product has been patented and has a market value of ₹ 100 Crore, which is not recorded in the books. The Net Worth (NW) of Goodluck Ltd. is ₹ 200 Crore. Long term debt is ₹ 400 Crore. The product generates a Net Operating Profit after Tax of ₹ 84 Crore. The rate on 365 days Government bond is 10% p.a. Market portfolio generates a return of 12% p.a. The stock of the company moves in tandem with the market. Calculate Economic Value added of the company. [7]
7. (a) The Shareholders of Aditya Co. have voted in favour of a buyout offer from Subhajt Co. Information about each firm is given here below. Moreover, Aditya Co.'s shareholders will receive one share of Subhajt Co. Stock for every three shares they hold in Aditya Co.

Particulars	Subhajt Co.	Aditya Co.
Present earnings	₹6.75 lakhs	₹ 3.00 lakhs
EPS	₹3.97	₹5
Number of Share	1.70 lakhs	0.60 lakhs
P/E ratio	20	5

Apply the given information to calculate the post-merger EPS of Subhajt Co. Further, determine the P/E ratio assuming the acquisition has zero NPV. Also, evaluate the value of synergy between the two firms and justify how this is consistent with the decision to proceed with the takeover. [7]



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- (b) Consider two firms that operate independently and have the following characteristics: (₹ in lakhs)

	<b>NILU Ltd.</b>	<b>PILU Ltd.</b>
Revenue	6000	3,000
COGS	3,500	1,800
EBIT	2,500	1,200
Expected Growth Rate	5%	7%
Cost of Capital	8%	9%

Both firms are in steady state with capital spending offset by depreciation. Both firms have an effective tax rate of 40% and are financed only by equity.

Consider the following two scenarios:

*Scenario I: Assume that combining the two firms will create economies of scale that will reduce the COGS to 50% of revenues.*

*Scenario II: Assume that as a consequence of the merger, the combined firm is expected to increase its future growth to 7% while COGS will be 60%.*

It is given that Scenario I and II are mutually exclusive.

You are required to compute the value of Synergy in Scenario I & II above. [7]

8. (a) Mr. Sandip runs NovaTech Appliances, a mid-sized home appliance manufacturing company in Pune. Over the last three financial years, the company has faced growing competition, raw material cost fluctuations, and pressure on margins. Mr. Sandip is concerned about declining profitability and wants a comprehensive financial performance analysis.

Here's NovaTech's summary financial data (in ₹ lakhs):

**Income Statement Highlights:**

Particulars	2022	2023	2024
Revenue	1,200	1,350	1,440
COGS	780	900	1,020
Operating Expenses	240	270	300
EBIT	180	180	120
Interest	20	25	30

**Required:**

- (i) Describe and interpret the year-over-year trend in key financial metrics such as revenue growth, EBIT margin, and net profit margin.
- (ii) If Mr. Sandeep is considering investing ₹150 lakhs in automation to improve margins by 4% from 2025 onward, explain the financial viability and strategic justification for the investment (assume a 5-year benefit period and 12% cost of capital). Ignore depreciation and taxation. Given PV factor @12% for 5 years is 3.605. [7]



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- (b) In the bustling corridors of Zenith Technologies Ltd., the ambitious Chief Executive Officer, Ms Nilima, had a singular belief: *“The market rewards performance through Earnings Per Share (EPS); that’s what our shareholders care about the most.”* To her EPS was not just a number—it was the compass guiding every strategic decision.

One fine Monday morning, Nilima was reviewing the company’s financial dashboard which has the following figure:

<b>Particulars</b>	<b>Amount (₹)</b>
Net Profit	80 lakhs
EPS	4
MPS	42

Driven by her vision of expanding the company’s footprint, she eyed a promising acquisition—Delta Systems Pvt. Ltd., a smaller firm known for its niche technology and steady profits which has current income of ₹15.75 lakhs, EPS of ₹10.50 and the market price per share of ₹85. Calculate the maximum exchange ratio that Ms. Nilima should offer to ensure that the Earnings Per Share (EPS) remains at the current level. If Ms Nilima borrows funds at 15% rate of interest and buys out the firm by paying cash, then calculate the amount she offer to maintain his EPS. Assume a tax rate of 30%. [7]