**Equity Analysis and Evaluation – I**

**September 2023 Examination**

**Question 1: Grand Corporation reported the following financial details for the financial year 2022. Revenue is $350 million. Cost of Goods Sold was 58% of revenue, and SG&A were 12% of revenue; D&A was $10 million. Interest expense is $5 million. Grand Corporation has investments in Stocks and Bonds. The Market Value of Stocks is $300 million with an average dividend yield of 7%. Bond investments carry a face value of $100 million with a weighted average interest rate of 5%. The firm sold an asset that has a book value of $25 million for $29 million. The tax rate applicable for the firm is 20%. The basic number of shares were 6 million, and shares resulting from ESOPs were 0.35 million. The Capital Expenditure for the year was $20 million; and the change in Net Working Capital is $ 10 million.**

**Introduction**

In the ever-converting enterprise landscape, the economic performance of groups is indispensable to identifying their fulfillment and lengthy-term viability. The various economic signs, crucial earnings in keeping with percent (EPS), and unfastened cash that go with the waft to the company (FCFF) are two metrics that stand out. Those metrics display a company's monetary fitness and growth potential by showing its profitability and cash generation capability. This evaluation examines Grand Organization's financial info for the

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**Question 2: A mid-sized manufacturing company is planning to infuse funds through equity offering to potential investors. The firm provided the financial information in Exhibits 1 & 2 to a valuation consultant. The valuation consultant gathered the below average multiples from comparable firms.**

**Introduction**

Using common multiples within the valuation of a midsize manufacturing organization gives a comprehensive assessment of the enterprise's fee from a couple of views. The economic records offered in well-known one and two serve as the idea for this evaluation, taking into consideration a further thorough comprehension of the enterprise agency's ordinary monetary overall performance and position.

The talk facilities on identifying the in-step with-proportion cost using five not-unusual multiples: 5X revenue, 10X EBITDA, 20X EPS, 4X net Asset price, and 2X general

**Question 3.a: Determine the arithmetic average return, Geometric Mean Return, and CAGR for Alpha, Beta, and Gamma.**

**Introduction**

At the beginning of 2014, an investor invested $1 million in Alpha, Gamma, and Omega stocks. On the give up of 2020, no extra purchases or transactions were made, and all investments had been liquidated.

**Determine the total Value of Alpha's investment at the end of 2020 in Step 1.**

Total Value at the End of 2020 = Number of Shares \* End-of-2020 Stock Price

**Question 3.b: Determine the holding period return to the investor at the end of 2020**

**Introduction**

At the end of 2020, the conserving duration for Alpha was 39.13%; for Gamma, it was 10.81%; and for Omega, it changed to an astounding 176.92%. The return on the holding period represents the cumulative percent benefit or loss on the preliminary funding over the holding duration. It shows the funding's usual overall performance over the seven years,