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OBAFEMI AWOLOWO UNIVERSITY
FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF ESTATE MANAGEMENT
BACHELOR OF SCIENCE (ESTATE MANAGEMENT) PROGRAMME
2010/2011 RAIN SEMESTER EXAMINATIONS

COURSE TITLE: ESM 502 – Advanced Valuation TIME ALLOWED: 2Hrs: 30Mins

INSTRUCTION: Answer FOUR Questions in all. At least one (I) question must be answered in each section.

Section A

1. (a) Inyang and Co., an unquoted company, issued N2m shares, purchased and let out different properties. After 7 years, the company will be shut down and proceed returned to shareholders. The fully-subscribed book value of the company is N2m, the amount of cash offered for the shares. Based on market trends, it is estimated that the capital will appreciate by about 25% on liquidation and rental income after tax will be N1,800,000 p.a. All net income flows (profit) will be paid out as dividends. Calculate the company value and share price assuming the shareholders required a 10% return. (7.5 marks)
- (b) Inyang and Company, now wish to be quoted at the floor of the Nigerian Stock Exchange. The company earns an average gross profit of N2,250,000. The rate of corporation tax is 25% and comparable listed firms currently sell at a P.E ratio of 13. Given this information, what value would you place on Inyang company share? (7.5 marks)
2. With an appropriate example, discuss the relevance of any five (5) general measures of asset performance measurement known to you. (15 marks)

Section B

- 1 a) What factors account for the popularity of the *payback method*? (2 marks)
- b) What are the major flaws of the *payback period* and *discounted payback* approaches? (2 marks)
- c) Describe how the *IRR* and *NPV* approaches are related. (2 marks)
- d) A project is worthwhile if the $NPV > 0$, Yes or No (1mark)
- e) A project is worthwhile if the $IRR > \text{discount rate}$, Yes or No (1mark)
- f) NPV and IRR can give opposing views of a project, Yes or No (1mark)
- g) Find the NPV and IRR of the below cash flow of Akintunde's Project, if the discount rate is 12% (6 marks)

Years	Project Cash Flow
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