

Plot No-2, Knowledge Park –III, Greater Noida

POST GRADUATE DIPLOMA IN MANAGEMENT (2020-22)

MID TERM EXAMINATION (TERM-IV)

Subject Name: **Corporate Restructuring and Business Valuation**

Time: 01.30 hour

Paper Code: **PGF-07**

Max Marks: 20

Note:

1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.

2. All questions are compulsory in Section A, B & C. Section A carries 1 Case Study, 8marks, Section B carries 3 questions of 2 marks each and Section C carries 2 questions 3 marks each.

SECTION A

4+4= 8 marks Marks

Q. 1: Case Study:

Brainlox Limited is an edtech startup with following financial details:

Debt to Equity Ratio	0.50
Cost of equity	14.0%
Pre-tax cost of debt	7.0%
Tax	20%
Market Value of Gross Debt	\$750,000
Cash	\$50,000
Number of Shares Outstanding	100,000
Current Market Price	\$30

The Cash flow estimation and projected growth rate in cash flow are given as under:

Cash Flow Estimates for Year 2021	
Gross Sales	\$2,000,000
COGS	\$1,300,000
Operating Expenses	\$120,000
D&A	\$18,000
Capex	\$60,000
Changes in NWC	\$10,000

Cash flow Projected Growth Rates	
Year 2022	12%
Year 2023	10%
Year 2024	8%
Year 2025	8%
Year 2026	7%
Terminal growth rate	5%

Question:

Q-1 (A) : Find out the intrinsic value of the firms using FCFF valuation tool.

Q-1 (B) : Should the investor buy the stock of this company? Why or why not?

SECTION B

2X3= 6 Marks

Q.2: Tammy’s Tool Company is a retail store that sells tools to construction companies across the country. Tammy reported net income of \$200,000 and issued preferred dividends of \$20,000 during the year. Tammy also had 30,000, \$5 par common shares outstanding during the year. Compute Return on Equity.

Q.3: Discuss benefit to each bank in Dena Bank, Vijaya Bank and Bank of Baroda merger

Q.4: What is the relevance of valuation in merger and acquisition.

SECTION C

3X2= 6 Marks

Q.5: State and explain the variables that drive value in Mergers & Acquisitions.

Q.6: Alfa Ltd. is intending to acquire Beta Ltd. by merger and the following information is available in respect of the companies:

	A Ltd	X Ltd
Number of equity shares	10,00,000	6,00,000
Earnings after tax	50,00,000	18,00,000
Market value per share (Rs.)	42	28

a. What is the present EPS of both the companies?

b. If the proposed merger takes place, what would be the new earning per share of A Ltd.? Assume that the merger takes place by exchange of equity shares and the exchange ratio is based on the current market price.

Mapping of Questions with Course Learning Outcome

COs	Question Number(s)	Total Marks Allocated to the CO
CO1	2,3, 4	6
CO2	5, 6	6
CO3	1	8