

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2023-24)
END TERM EXAMINATION (TERM -IV)

Subject Name: **Business Valuation and Financial Modelling**

Time: **02.00 hrs**

Sub. Code: **PGF43**

Max Marks: **40**

Note:

All questions are compulsory. Section A carries 5 marks: 5 questions of 1 mark each, Section B carries 21 marks having 3 questions (with internal choice question in each) of 7 marks each and Section C carries 14 marks one Case Study having 2 questions of 7 marks each.

Kindly write the all the course outcomes as per your TLEP in the box given below:

- | |
|---|
| <p>CO1- Identify and understand core concepts of Business Alliance. Evaluate the opportunity in M& A deals.
 CO2- Critically assess and analyze the value of the business for M&A.
 CO3- Propose appropriate Financing and implementation strategies for M&A deal.
 CO4- Understand the building blocks, best practices, and types of financial modelling</p> |
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SECTION - A

Attempt all questions. All questions are compulsory.

1×5 = 5 Marks

Questions	CO	Bloom's Level
Q. 1: (A). What do you understand by inorganic growth?	CO1	2
Q. 1: (B). Discuss two motives for mergers.		1
Q. 1: (C). Give two real life examples of vertical mergers.		1
Q. 1: (D). What do you understand by Leverage Buyout (LBO)?		2
Q. 1: (E). Who are gray knights in context of mergers?		2

SECTION – B

All questions are compulsory (Each question have an internal choice. Attempt any one (either A or B) from the internal choice)

7 x 3 = 21 Marks

Questions	CO	Bloom's Level
Q. 2: (A). Investment banks provides M&A advisory for both the buy side and sell side. Discuss with the help of appropriate examples, the various activities the investment bank performs for buy side advisory.	CO3	1,2
<p>Or</p> <p>Q. 2: (B). A firm engaged in business of manufacturing tyres wants to completely purchase a target firm by issuing additional stocks against shares of the target firm working in the same business vertical. Acquirer is traded at Rs 40 per share and the target firm is traded at Rs 75 per share. Outstanding shares are 6000 and 2500 respectively for acquirer and target.</p> <ul style="list-style-type: none"> • P/E ratio of the acquirer is 5. • P/E ratio of the target is 12. <p>Calculate the accretion/ dilution of the acquirer considering that no Premium is paid.</p>		3,5

<p>Q. 3: (A). What do you understand by due diligence? With the help of relevant examples, discuss the concept of financial due diligence.</p> <p>Or</p> <p>Q. 3: (B). Differentiate between merger through absorption and merger through consolidation. Give two real life examples of each type of merger.</p> <p>Q. 4: (A). Financial models are of various forms, each designed for specific purposes. List down the various types of financial models. Discuss any two models in more detail using appropriate examples.</p> <p>Or</p> <p>Q. 4: (B). Auditing a financial model is a critical step in ensuring its accuracy and reliability. By conducting a thorough examination of the model, errors and inconsistencies can be identified and rectified, ultimately enhancing its utility for decision-making and risk management. List down and briefly discuss the key techniques for auditing a financial model.</p>	CO1	2, 4
		1,2
	CO4	1, 2
		2,4

SECTION - C

Read the case and answer the questions

7×02 = 14 Marks

Questions	CO	Bloom's Level												
<p>Q. 5: Case Study:</p> <p>To determine the value of the firm the analyst has gathered the following information:</p> <ul style="list-style-type: none"> • Recent Revenue: Rs 25,000 lakh • Operating Profit: Rs 900 Lakh • Required Working Capital: Rs 125 Lakh • Capex (With adjusted depreciation): Rs 25 Lakh • Tax Rate: 25% • Treasury bill is offering: 5% rate of interest. • Average return from market: 12% <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th align="center">High Growth Period</th> <th align="center">Steady State</th> </tr> </thead> <tbody> <tr> <td>Beta</td> <td align="center">2.5</td> <td align="center">1.2</td> </tr> <tr> <td>Growth Rate</td> <td align="center">11%</td> <td align="center">4%</td> </tr> <tr> <td>Period</td> <td align="center">3 Years</td> <td></td> </tr> </tbody> </table> <p>Questions:</p> <p>Q. 5: (A). Plan and create a two-stage financial model in Excel.</p> <p>Q. 5: (B). Find out the value of the firm.</p> <p>Note: You may take appropriate assumption wherever required.</p>		High Growth Period	Steady State	Beta	2.5	1.2	Growth Rate	11%	4%	Period	3 Years		CO2	3 5
	High Growth Period	Steady State												
Beta	2.5	1.2												
Growth Rate	11%	4%												
Period	3 Years													

Kindly fill the total marks allocated to each CO's in the table below:

COs	Marks Allocated
CO1	12 Marks
CO2	14 marks
CO3	7 Marks
CO4	7 Marks

(Please ensure the conformity of the CO wise marks allocation as per your TLEP.)

Blooms Taxonomy Levels given below for your ready reference:

L1= Remembering

L2= Understanding

L3= Apply

L4= Analyze

L5= Evaluate

L6= Create