GL BAJAJ
Institute of Management & Research, PGDM Institute
Greater Noida
FIND YOUR SPARK

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POST GRADUATE DIPLOMA IN MANAGEMENT (2023-25)
END TERM EXAMINATION (TERM-IV)

Subject Name: **Equity and M&A Modelling**	Time: **02.00 hrs**
Sub. Code: **PGF46**	Max Marks: **40**

Note: All questions are compulsory. Section A carries 5 marks: 5 questions of 1 marks 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.

SECTION - A		
Attempt all questions. All questions are compulsory.	**1×5**	**= 5 Marks**
Questions	**CO**	**Bloom's Level**
Q. 1: (A). Briefly explain any two ways of auditing a financial model. **Q. 1: (B).** What do you understand by Enterprise Value? **Q. 1: (C).** Differentiate between bulge bracket investment banks and regional boutique investment banks. **Q. 1: (D).** What do you understand Un-levered and levered free cash flow? **Q. 1: (E).** ABC firm has used debt and equity shares for financing its operations. The proportion of debt and equity is 60:40. The interest on debt is 10%. The cost of equity solved using CAPM model is calculated to be 15%. The prevailing tax rate is 20%. Compute WACC.	1	1, 2
SECTION – B		
All questions are compulsory (Each question have an internal choice. Attempt anyone (either A or B) from the internal choice)	**7 x 3**	**= 21 Marks**
Questions	**CO**	**Bloom's Level**
Q. 2: (A). Financial modeling is an important skill in finance. Financial models are used for decision-making and business valuation. List and briefly explain the various types of financial models commonly used in the finance industry. Additionally, briefly discuss the difference between Multi Spreadsheet Vs Single Spreadsheet Approach to creating 3 statement model. **Or** **Q. 2: (B).** Forecasting is a critical component of financial modeling, enabling analysts to predict future performance and make informed decisions. Explain the key forecasting techniques used in financial modeling. Discuss how the selection of a forecasting technique depends on the nature of the data and industry. Provide examples to illustrate your explanation.	1	1,2,3
Q. 3: (A). A project manager is worried about the initial cash required, the operating cash flow. He is also worried about the timely completion of the project. To understand the cash flow better, he has collected the following details. • Initial Capital Investment = $5,00,000 [($1,50,000 of non-depreciable land) + ($3,50,000 of depreciable equipment (Straight Line Method)] • Current Assets: $80,000 • Current Liabilities: $40,000 • Sales in year one = $2,80,000 • Expected growth rate of sales each year = 10% each year	3	2,3

• Cash Operating Expenses = 45% of Sales each year
• Life of Project = 5 Years
• Salvage Value of Equipment= $80,000
• NWC Recovered = $40,000
• Tax Rate = 40%
 	
Compute the following:
    1: Initial cash outflow at the beginning of the project.
    2: Net operating cash flows in year 1 of the project life.
    3: Net operating cash flow in year 5 of the project life.
    4: Terminal year after tax non-operating cash flows.
 	
Or
Q. 3: (B). We often use models like Porter's Five Forces model and the Industry Life Cycle model for Industry analysis. Explain the role of these two models in understanding industry dynamics. You may consider taking any industry of your choice to explain the use of the models.
	4	2,3,4

Q. 4: (A). Answer the following questions: 1) An investor invests Rs 50,00,000 in a start-up firm and gets 25% stake. What is the pre-money and post- money valuations of the firm? 2) Waterfall charts are widely used in the finance sector. Roughly draw the waterfall chart and discuss any one use of waterfall chart in finance (Use appropriate example). **Or** **Q. 4: (B).** M&A Advisory is an important vertical of investment bank. Investment banks prepare buy and sell side reports for companies and facilitate a deal in the given space. The report often termed as due diligence report is prepared by investment bank after: • Detailed analysis • Thorough planning This report is prepared pre-deal and puts forward the complete framework of the M&A deal. List down and briefly discuss what buy side report broadly consists of?		

SECTION - C

Read the case and answer the questions   **7×02 = 14 Marks**

Questions	CO	Bloom's Level
Q. 5: Case Study: Your company has provided you with the following Excel (Attached Data Sheet) sheet having the following data. • Historical three-year financial statement data • The projected incomplete financial model • The assumptions sheet Questions: **Q. 5: (A).** You have been asked to complete the model by putting in the correct formulas and linking in the parts of the model highlighted in yellow which includes completing the schedules etc. Your balance sheet should balance in the end.	2	3,4,6

Q. 5: (B). Explain the following: (Create another Excel Worksheet at the beginning to answer this question)
1. Uses of the 3 Statement Financial Model
2. What is the purpose of creating supporting schedules?
3. Briefly discuss the basic color coding used in a financial model.

Note: You have to answer complete Q5 (Both A and B part) on the same Excel Workbook. For Question 5(B), open a new worksheet at the beginning of the same workbook where you have done question 5(A) and type your answers.

Total marks allocated to each CO's:

COs	Marks Allocated
CLO1	12
CLO2	14
CLO3	7
CLO4	7