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

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POST GRADUATE DIPLOMA IN MANAGEMENT (2024-26)
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 12 marks: 6 questions of 2 marks each, Section B carries 18 marks having 3 questions (with internal choice question in each) of 6 marks each and Section C carries 10 marks one Case Study having 2 questions of 5 marks each.

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

S. No.	Course Outcomes (COs)	Bloom's Taxonomy Level
CO1	Practically learn the concepts of advanced excel tools and formulas most used in financial modelling and other building blocks and basics of financial modelling. Pitch Book and Basics of Investment Banking.	L2, L3, L4
CO2	Understand and create a 3 -statement model, create schedules and apply sensitivity and scenario. Presenting model output as a dashboard. Basics of Start-up Valuation and Financing.	L2, L3, L4, L5
CO3	Understand and apply various advance valuation methods in business and IPO Process and basics of start-up valuation	L2, L3, L4, L5
CO4	Understand M&A and LBO modelling. Understand the concepts of start-up valuation and Modelling.	L1, L2, L3

SECTION - A

Attempt all questions. All questions are compulsory.		**2×6 = 12 Marks**
Questions	**CO**	**Bloom's Level**
Q. 1: (A). Briefly explain what a financial model is and describe the purpose of its output.	1, 2	L1,2,3
Q. 1: (B). Investment banks often prepare pitch books when approaching potential clients. Explain what a pitch book is? Briefly describe what kind of information it typically contains.		
Q. 1: (C). An investor puts ₹40,00,000 into a start-up and receives a 25% ownership stake. The company currently has 1.5 million shares outstanding. Calculate the number of new shares issued to the investor and the implied price per share.		
Q. 1: (D). Briefly explain how multi-spreadsheet and single-spreadsheet modelling approaches differ and when each approach is more suitable.		
Q. 1: (E). An analyst finds that directly forecasting the financial statements are giving inconsistent numbers. Explain why supporting schedules are needed while building forecasted statements.		
Q. 1: (F). Briefly differentiate between a bulge-bracket investment bank and a regional boutique investment bank		

SECTION – B

All questions are compulsory (Each question has an internal choice. Attempt anyone (either A or B) from the internal choice) **6 x 3 = 18 Marks**

Questions	CO	Bloom's Level
Q. 2: (A). A company is preparing to share its financial model with lenders and investors. Before sending it, the CFO requires a complete audit to ensure the model is transparent, error-free, and professionally structured. Explain the key auditing techniques you would apply to your Financial Model. **Or** **Q. 2: (B).** A senior finance manager is preparing training material for new analysts and wants to ensure they develop a comprehensive understanding of the different modelling frameworks used in corporate finance and investment banking. She asks you to help her summarise the landscape of commonly used financial models. List the various most common types of financial models typically used in practice. Further, choose any two models from the list and explain their purpose, key components, and situations in which they are most useful.	1	L1, 2, 3
Q. 3: (A). You have been provided with the following Excel sheets (**Refer Worksheets: 'Q3A-Assumptions' and 'Q3A-Income Statement'**). These sheets have the following data. - Historical three-year Income Statement Data - The projected incomplete income statement marked in yellow - The assumptions sheet (With relevant assumptions completed) **You have to do the following:** - You need to enter the appropriate formulas and establish the necessary links to complete the yellow-highlighted income statement line items. - Link and populate the relevant income statement line-item values in the "Q3A- Output" sheet. - Draw a graph showing: Revenue, COGS and Gross Profit (From 2022A to 2029E) (In the space given below row 12 of the 'Q3A-Output' worksheet) **Or**	2	L4,5,6
Q. 3: (B). Discuss what do you understand by EIC approach. Consider Paint industry with major players being Asian Paints, Berger Paints and Nerolac Paints and analyze the industry by applying the porter's five forces model.	3	L1,2,3
Q. 4: (A). An equity research analyst has compiled valuation ranges for a company using multiple valuation methods, as shown below:		

Valuation Method	Minimum Value	Maximum Value
DCF	60	130
P/E	90	160
EV/EBITDA	120	160
P/BV	70	120

Using Excel, create a football field valuation chart to visually represent the above data.
Note: The above data is also available in 'Q4A- Football Field' Excel worksheet.

Or

Q. 4: (B).
The following financial information of a company is available for the current year:

- Net Income: ₹2,500 lakh
- Depreciation: ₹350 lakh
- Capital Expenditure: ₹150 lakh
- Increase in Working Capital: ₹250 lakh
- Net Borrowings: ₹120 lakh
- Interest Expense: ₹80 lakh
- Tax Rate: 30%

Find out the FCFF and FCFE using the above data. Further, discuss what do you understand by Free Cash Flow to Firm (FCFF) and Free Cash Flow to Equity (FCFE), commenting on the appropriate discount rate for the two types of cash flows.

SECTION - C

Read the case and answer the questions   **5×02 = 10 Marks**

Questions	CO	Bloom's Level
Q. 5: Case Study: A Ltd (the acquirer) is a publicly listed consumer packaged goods (CPG) manufacturer aiming to expand its presence in the fast-growing healthy snacking segment. To accelerate this strategic move, A Ltd is considering the acquisition of B Ltd (the target), a rapidly growing company known for its organic, plant-based snack products and strong distribution relationships with premium retail chains. The acquisition will be completed entirely through a stock-for-stock transaction, with A Ltd issuing new shares to the shareholders of B Ltd. No cash component is involved. Management anticipates meaningful supply chain and distribution synergies upon completion of the deal. The financial details are as follows:	4	L2,3,4

Particulars	A Ltd (Acquirer)	B Ltd (Target)
Share Price	₹40	₹85
P/E Ratio	8	12
Shares Outstanding	10,000	3,000
Net Income	₹50,00,000	₹12,00,000
Synergy Benefit Expected	–	₹5,00,000 increase in combined net income

You are required to evaluate the financial impact of the deal and the strategic rationale.

Questions:

Q. 5: (A). Using the information provided in the case, calculate whether the proposed acquisition results in EPS accretion or dilution for A Ltd. Your answer should include:
- Offer value
- Exchange ratio
- New shares issued
- Combined net income (including synergy)
- Pre-deal EPS and post-deal EPS
- Conclusion on whether the deal is accretive or dilutive

Q. 5: (B). Companies expand their scale and capabilities through different growth pathways. Identify the major forms of organic and inorganic growth and present them in a structured flowchart or classification diagram.

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

COs	Question No.	Marks Allocated
CO1	1,2	12
CO2	1,3	12
CO3	3	6
CO4	4	10