GL BAJAJ Institute of Management & Research. PGDM Institute
FIND YOUR SPARK
GREATER NOIDA (Approved by A.I.C.T.E., Ministry of HRD, Govt. of India)

Roll No…………

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

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

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 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/ Analysis (with internal choice)

SECTION - A

Attempt all questions. All questions are compulsory. **1×5 = 5 Marks**

Q. 1: (A). What do you understand by crown jewel as a takeover defense strategy?

Q. 1: (B). What is Leverage Buyout (LBO)?

Q. 1: (C). The risk-free rate is 5%, The market rate of return is 9% and the beta of the firm is 1.5. Compute the cost of equity.

Q. 1: (D). With the help of real-life example, briefly discuss the concept of Merger through consolidation.

Q. 1: (E). Differentiate between White Knight and Yellow Knight in reference to takeover.

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**

Q. 2: (A). Every merger is guided by a distinct motive or objective, shaping its strategic significance. What are the primary motives commonly driving mergers in the business world. What could be the underlying motive behind the merger of Vodafone and Idea?

Or

Q. 2: (B). Due diligence means thorough and sound homework before the execution of deal. Explain the concepts of Legal Due Diligence, Financial Due Diligence and HR Due diligence with the help of real-life cases where companies ended in huge losses due to failure of sound due diligence.

Q. 3: (A). Company A, a leading player in the pharmaceutical industry, is contemplating the acquisition of Company B. The deal is to be completely financed by equity. Acquirer is traded at Rs 45/ share and target is traded at Rs 80/ share. Price to Earnings (P/E) ratio is 8 for acquirer and 12.4 for the target. Shares outstanding are 7500 and 2000 respectively, for acquirer and target. The expected increase in net income due to expected synergy gain is Rs 2000. Calculate the accretion and dilution of the acquirer? If there is no acquisition premium paid for the synergy, what will be the impact on accretion/ dilution. Compare the new output with the previous one and justify the logic behind the change.

Or

Q. 3: (B). Selling a firm is not an easy decision. A lot of forethought and conviction is required by the founder. Explain the various factors affecting the sell side of the Mergers and Acquisition (M&A). Support your answer with the real life examples wherever possible.

Q. 4: (A). Auditing methods help find mistakes and make sure that the financial model is reliable for making decisions and managing risks. By carefully examining the model, errors can be fixed, making it more useful for decision making. What are the various ways in which we can audit a financial model? What do you understand by the problem of circular reference issue (a very common issue especially when we are dealing in debt schedules), explain with the help of relevant example.

Or

Q. 4: (B). Financial model can be made flexible and detailed or simple based on the requirement or the output expected. With the help of relevant applicative examples, explain the various categories of Financial Model. Include real life examples for all the four broad categories. Also, briefly list down the typical color scheme used for making a professional financial model.

SECTION - C

This question is compulsory (There is an internal choice. Attempt anyone (either A or B) from the internal choice)

Read the case and answer the questions **14 Marks**

A firm XYZ is considering purchasing new equipment. The equipment costs $460,000. The equipment will be depreciated straight-line to zero over a five-year life. The equipment will generate annual revenues of $265,000, and it will have annual cash operating expenses of $83,000. The equipment will be sold for $85,000 after five years. A net-working capital investment of $73,000 is required. This investment will be completely recovered in the terminal year. The firm is in the 40% tax bracket and its cost of capital is 10%.

You have to create an **Excel model,** clearly demarcating between input and the output and answer the following questions.

Q. 5: (A). Compute the initial cash flow, operating cash flow and terminal cash flow.

Q. 5: (B). Compute the NPV and suggest whether the project should be accepted or rejected. Also create a sensitivity table, showing the changes in NPV if the cost of capital changes from 8% to 16% in steps of two (i.e. you have to consider 8%, 10%, 12%, 14% and 16%).

Mapping of Questions with Course Learning Outcome

Question Number	COs	Bloom's taxonomy level	Marks Allocated
Q. 1:	CLO1	L1	5 marks
Q. 2:	CLO1	L1 & L2	7 marks
Q. 3:	CLO3	L3	7 marks
Q. 4:	CLO4	L1, L2	7 marks
Q. 5:	CLO2	L3, L4	14 marks