

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

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

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

Time: **01.00 hrs**

Sub. Code: **PGF43**

Max Marks: **20**

Note:

- 1. Writing anything except Roll Number on Quiz paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.**
- 2. There is no negative marking for wrong answer.**
- 3. Tick marks the correct answer.**

Attempt all questions. All questions are compulsory.

Sec A (20×0.5= 10 Marks)

Q1. ABC Pvt Ltd (a company with expertise in wide areas like infrastructure, oil and gas, power and process.) EFG Pvt Ltd(company with expertise in telecom). The merger of ABC and EFG is a _____ type of merger. **(CO1, L2)**

- (a) Vertical
- (b) Conglomerate
- (c) Horizontal
- (d) None of the options is correct

Ans: b

Q2. Managers who undertake M&A believes that the value of the combined firm will be more than the sum of value of individual firms. This concept is known as: **(CO1, L1)**

- (a) Due Diligence
- (b) Synergy
- (c) Yellow Knight
- (d) Golden Parachute

Ans: b

Q3. Due diligence means thorough and sound homework after the execution of deal **(CO1, L1)**

- (a) True
- (b) False

Ans: b

Q4. Mergers and Acquisition is a form of inorganic growth: **(CO1, L1)**

- (a) True
- (b) False

Ans: a

Q5. _____ is a second unsolicited bidder in corporate takeover. **(CO1, L1)**

- (a) Gray Knight
- (b) Black Knight
- (c) Yellow Knight
- (d) Golden Hand

Ans: a

Q6. When the clause of severance package is applicable to lower level managers, it is known as: **(CO1, L1)**

- (a) Tin Parachute
- (b) Golden Parachute
- (c) Silver Helicopter
- (d) Crown Jewels

Ans: a

Q7. The report prepared by both the buy side and sell side advisory takes into consideration: **(CO2, L1)**

- a) Scope for negotiation
- b) Flexibility in valuation
- c) Scope for reaching consensus.
- d) All the options are correct.

Ans: d

Q8. Buy-side report broadly comprises of: **(CO2, L1)**

- a) Motive for M&A
- b) Financial model for valuation and financing
- c) Financing options
- d) All the options are correct.

Ans: d

Q9. The more the deal is structured with stock, the more it will lead to dilution of controlling stake of the acquirer. **(CO1, L2)**

- (a) True
- (b) False

Ans: a

Q10. Hostile raider hires a third party who poses as a _____ to gain trust but later turns around and joins unfriendly bidder. **(CO1, L1)**

- (a) Yellow Knight
- (b) Gray Knight
- (c) White Knight

(d) None of the options is correct

Ans: c

Q11. Leveraged Buyout is a strategy in which: (CO2, L2)

- (a) The funding of the deal is 50% debt and 50% equity
- (b) The funding of the deal is mainly through equity
- (c) The funding of the deal is mainly through debt
- (d) None of the options is correct

Ans: c

Q12. Any corporate strategy which is undertaken to discourage hostile takeover is known as
Macroni Defense (CO1, L1)

- (a) True
- (b) False

Ans: b

Q13. Types of due diligence to be looked at in M&A include: (CO1, L1)

- (a) Legal Due Diligence
- (b) Financial Due Diligence
- (c) Both the options are correct
- (d) None of the options are correct

Ans: c

Q14. The employees and key management employees together threaten the company to exit if
acquired by hostile takeover. This strategy is known as: (CO1, L1)

- (a) Poison Pill
- (b) Golden Parachute
- (c) Tin Parachute
- (d) People Pill

Ans: d

Q15. Crown Jewel is a very drastic step generally taken as a last resort. (CO1, L1)

- (a) True
- (b) False

Ans: a

Q16. The deal will be structured with cash or stock, or both will depend upon: (CO1, L2)

- a) Fund availability
- b) Debt or Equity Accessibility
- c) Dilution of controlling stake
- d) All Options are Correct.

Ans: d

Q17. To calculate accretion/ dilution, analysts first prepare a combined companies net income popularly known as Pro forma net income **(CO2, L1)**

- (a) True
- (b) False

Ans: a

Q18. Motive for a company to consider Merger includes: **(CO1, L1)**

- a) Geographical Expansion
- b) To create monopoly.
- c) Both the options are correct
- d) No option is correct.

Ans: c

Q19. Two or more companies combine into any of the existing participating companies is what type of merger: **(CO1, L2)**

- a) Merger through absorption
- b) Merger through consolidation
- c) Merger through connection
- d) None of the options is correct.

Ans: a

Q20. Acquisition of companies which have issued ESOP is a very simple process **(CO1, L1)**

- (a) True
- (b) False

Ans: b

Sec B (10 Marks)

Q1: An acquirer wants to completely purchase a target firm by issuing additional stocks against shares of the target firm. The following data is available: **(CO2, L5)**

- Acquirer is traded at 40/ share.
- Target is traded at 80/ share.
- Price to Earnings (P/E) ratio of acquirer is 5.
- Price to Earnings (P/E) ratio of target is 9.
- Shares outstanding are 6000 and 2000 respectively, for acquirer and target.
- Increase in net income due to synergy is 8000.

Compute the following:

1. EPS of acquirer and target
2. Offer Value
3. Exchange ratio
4. Combined Net Income
5. Accretion/ Dilution Percentage