Name: **Enrolment No:**	UPES University of Tomorrow

End Semester Examination, May 2024

Course: Investment Banking **Semester: IV**
Program: BBA CORE (FIN) **Time: 03 Hrs.**
Course Code: FINC2074 **Max. Marks: 100**
Instructions: 1. Attempt all questions; 2. Use of calculators including scientific calculators allowed

SECTION A
10Qx2M= 20 Marks

S. No.		Marks	CO
Q 1	**MULTIPLE CHOICE**: Choose the one alternative that best completes the statement or answers the question. (Write the question number and the choice letter A, B, C, or D only on your answer sheet).		
1.1	Which of the following is NOT a typical service provided by investment banks? A) Mergers and Acquisitions (M&A) advisory B) Sales and trading of securities C) Providing consumer loans D) Equity research and analysis	**2**	**CO1**
1.2	An issue of capital to be offered to the existing shareholders of the company through a Letter of Offer is known as: A) Bonus Issue B) Rights Issue C) Follow on Public Issue D) Qualified institutions placement (QIP)	**2**	**CO1**
1.3	What is the term used to describe the process of gathering investor interest and orders to determine the price of an IPO? A) Proprietary Trading B) Financial Engineering C) Equity research and analysis D) Book building	**2**	**CO1**
1.4	During an underwriting process, what does the investment bank do? A) Guarantees to buy unsold shares in an IPO B) Issues credit cards to retail investors C) Manages the company's retirement plan D) Provides tax advice to the company	**2**	**CO1**
1.5	The primary objective of conducting a Comparable Companies Analysis (CCA) is to: A) Recommend a specific investment strategy for a company. B) Estimate the intrinsic value of a target company using market data. C) Secure financing for a company's upcoming operations. D) Develop a marketing campaign for a new product launch.	**2**	**CO1**

1.6	Discounted Cash Flow (DCF) analysis estimates a company's value by considering: A) Historical accounting profits solely B) The present value of its future projected cash flows C) Market multiples of similar companies only D) The company's current stock price	**2**	**CO1**
1.7	Which of the following is NOT typically included in a Discounted Cash Flow (DCF) analysis? A) Projected future sales and expenses of the company. B) The company's current debt and equity structure. C) Recent stock market trends for similar companies. D) The terminal value of the company at the end of the explicit forecasting period.	**2**	**CO1**
1.8	In a public issue of securities, the actual work of drawing up the list of allottees, crediting the shares to their demat accounts and ensuring refunds is done by the A) Book Running Lead Manager (BRLM) B) Registrars to the Issue C) Self Certified Syndicate Banks (SCSB) D) Registrar of Companies (ROC)	**2**	**CO1**
1.9	The ___________ summarizes information about a new security issue. A) syndicate offer B) IPO C) prospectus D) shelf rule	**2**	**CO1**
1.10	SEBI guidelines have stipulated ____________ requirements on shares of promoters mainly to ensure that the promoters who are controlling the company, shall continue to hold some minimum percentage in the company after the public issue. A) IPO grading B) Book Building C) Escrow Account D) Lock in	**2**	**CO1**
SECTION B **4Qx5M= 20 Marks**			
2.1	Bring out the differences between a Fixed Price Issue and a Book Built issue.	**5**	CO2
2.2	Distinguish between product groups and industry groups in an investment bank.	**5**	CO2
2.3	Distinguish between the profitability route and QIB route in an IPO.	**5**	CO2
2.4	What is a draft offer document?	**5**	CO2
SECTION-C **3Qx10M= 30 Marks**			
3.1	Evaluate the potential of specific Fintech trends, such as blockchain or robo-advisors, to reshape the future of investment banking.	**10**	**CO3**
3.2	Outline the steps used in the comparable companies analysis.	**10**	**CO3**

3.3	What are the pros and cons of the discounted cash flow (DCF) analysis?	**10**	**CO3**
	SECTION-D **2Qx15M = 30 Marks**		
4.1	You are a financial analyst tasked with valuing ABC Company. The company is considering going public through an Initial Public Offering (IPO). You have decided to value the company using the discounted cash flow (DCF) analysis. The current risk-free rate (rf) is 5%, historical market risk premium (rm-rf) is 7% and the levered beta of the ABC company is 1.5. You believe that smaller companies are riskier and should have a higher cost of equity. You therefore add a size premium of 1.75% to the cost of equity obtained through CAPM. You obtain the Cost of debt (pre-tax) from the blended yield on its outstanding debt instruments. It is 6%. Tax rate is 40%. The target capital structure of ABC is 25% debt and 75% equity. Calculate the weighted average cost of capital (WACC) to discount the cash flow in your DCF analysis. **Show all steps**.	**15**	**CO4**
4.2	With the help of an example, illustrate the book building and price discovery process in an IPO.	**15**	**CO4**