Name:

Enrolment No:

UPES

End Semester Examination, December 2025

Course: Private Equity Venture Capital **Semester: VII**
Program: Integrated (BBA) - (MBA) **Time: 03 hrs.**
Course Code: FINC8019 **Max. Marks: 100**

Instructions:

SECTION A

10Qx2M=20Marks

S. No.		**Marks**	**CO**
Q 1	Select one right option		
(i)	Private Equity typically invests in: a) Public listed companies only b) Mature private companies c) Government bonds d) Commodities	**2**	**CO1**
(ii)	Venture Capital focuses on: a) Early-stage high-growth firms b) Real estate projects c) Dividend-paying companies d) None	**2**	**CO1**
(iii)	Seed financing is primarily used for: a) Expansion of sales network b) Prototyping and idea validation c) Acquisition of another firm d) Debt repayment	**2**	**CO1**
(iv)	Funds where capital cannot be redeemed until end of life are known as: a) Open-end funds b) Closed-end funds c) Hedge funds d) Pension funds	**2**	**CO1**
(v)	VCT in the UK is used for: a) Commodity hedging b) Venture investment with tax benefits c) IPO underwriting d) None	**2**	**CO1**
(vi)	SBIC refers to: a) Stock Benchmark Index Corporation b) Small Business Investment Company c) Sovereign Bank Investment Credit d) Special Bond Interest Coupon	**2**	**CO1**

<table>
<tr><td>(vii)</td><td>Expansion financing is also known as:
a) Growth capital
b) Distressed capital
c) Bridge capital
d) Vulture capital</td><td>2</td><td>CO1</td></tr>
<tr><td>(viii)</td><td>The venture capital method calculates valuation based on:
a) Dividend rate
b) Expected exit value & ownership %
c) NAV
d) Coupon rate</td><td>2</td><td>CO1</td></tr>
<tr><td>(ix)</td><td>Exiting a fund investment refers to:
a) Paying dividends
b) Selling stake to realize returns
c) Increasing ownership
d) Trading futures</td><td>2</td><td>CO1</td></tr>
<tr><td>(x)</td><td>Replacement financing involves:
a) Buyout of promoter’s stake
b) Funding R&D
c) IPO subscription
d) Dividend payout</td><td>2</td><td>CO1</td></tr>
<tr><td colspan="4">SECTION B
4Qx5M= 20 Marks</td></tr>
<tr><td>Q</td><td>Statement of question</td><td></td><td></td></tr>
<tr><td>Q 2</td><td>Why do companies seek private equity funding?</td><td>5</td><td>CO2</td></tr>
<tr><td>Q 3</td><td>Define Seed financing with its main objectives.</td><td>5</td><td>CO2</td></tr>
<tr><td>Q 4</td><td>Elaborate two legal structures for PE funds in the US and Europe.</td><td>5</td><td>CO2</td></tr>
<tr><td>Q 5</td><td>Discuss about carried interest? Give simple examples.</td><td>5</td><td>CO2</td></tr>
<tr><td colspan="4">SECTION-C
3Qx10M=30 Marks</td></tr>
<tr><td>Q</td><td>Statement of question</td><td></td><td></td></tr>
<tr><td>Q6</td><td>Comparable companies trade at:
<table><tr><th>Company</th><th>EV/EBITDA</th></tr><tr><td>P</td><td>8×</td></tr><tr><td>Q</td><td>10×</td></tr><tr><td>R</td><td>9×</td></tr></table>
The target firm has:
• EBITDA = ₹16 crore
• Net Debt = ₹12 crore, Cash = ₹3 crore</td><td>10</td><td>CO3</td></tr>
</table>

- **Shares outstanding = 4,00,000**

Compute:
a) **Average EV/EBITDA multiple**
b) **Enterprise value**
c) **Equity value & value per share**

Q7	Illustrate the deal-making phase with covenant usage and analyze how monitoring de-risks a portfolio.	**10**	**CO3**
Q8	Examine exit strategies in PE/VC and analyze how return waterfall affects managers vs investors.	**10**	**CO3**

SECTION-D
2Qx15M= 30 Marks

Q	Statement of question		**CO4**
Q9	A firm projects the following **free cash flows (FCF)** for the next 4 years:	**15**	**CO4**

Year	**FCF (₹ crore)**
1	12
2	15
3	18
4	22

- Beyond year 4, FCF is expected to grow at **5% perpetually**
- **WACC (discount rate) = 10%**
- **Net debt = ₹20 crore**, **Cash = ₹5 crore**

Compute:
a) **PV of explicit cash flows (Year 1–4)**
b) **Terminal value & its PV**
c) **Enterprise value & Equity value**

OR

A venture capital fund has invested in a consumer-tech app start-up that is growing rapidly but burning cash aggressively. The market is becoming saturated, competition is increasing, and a strategic buyer has shown interest in acquiring the firm. Founders want to continue independently while the VC is unsure whether waiting longer will improve exit outcomes or increase risk.

Question :

Debate whether the VC fund should exit now or hold longer. Structure your answer using the following dimensions: (a) market timing, (b) competitive dynamics, (c) unit economics, (d) founder intent, and (e) fund life-cycle constraints. Propose three exit mechanisms that can satisfy both investor return objectives and founder aspirations.

Q10

Assets	**₹**
Cash & Cash Equivalents	4,80,000
Marketable Securities (at cost)	3,20,000
Trade Accounts Receivable	6,75,000
Officer Advance	90,000
Inventories	6,20,000
Prepaid Expenses	11,50,000
Total Current Assets	**23,00,000**
Land & Buildings (net)	8,40,000
Plant & Equipment (net)	15,90,000
Intangible Assets	60,000
Total Assets	**47,90,000**

Liabilities	**₹**
Notes Payable	90,000
Accounts Payable	5,10,000
Accrued Expenses	1,65,000
Current Portion of LT Debt	1,40,000
Total Current Liabilities	**9,05,000**
Long-Term Debt	6,00,000
Deferred Tax Liability	50,000
Total Liabilities	**15,55,000**
Shareholders' Equity (Book)	**32,35,000**
Total Liabilities + Equity	**47,90,000**

Additional Information for Adjustments

- Cash is audited
- ₹45,000 receivable is **uncollectible**, ₹82,000 is **doubtful (likely 40% recoverable)**.
- Officer advance of ₹90,000 is **mutually waived** (tax implication applies).

15

CO4

	• Inventory must be recorded at lower of cost or market; **fair value ₹7,10,000 vs cost ₹6,20,000**. • ₹55,000 prepaid has **expired**, ₹35,000 land advance is **forfeited**. • Land fair value reassessed at **₹22,50,000**. • Equipment fair value **₹28,60,000 vs book net ₹15,90,000**. • Intangibles now provide **no future benefit**. • Legal claim ₹1,50,000 has **30% chance of win**; management proposes **₹40,000 settlement** to avoid goodwill damage. **Question:** Estimate the **fair equity value of Pioneer Pharma Ltd.** using the adjusted net asset valuation method.		