SET-01

Name: **Enrolment No:**	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, Dec 2024

Course: M&A and Corporate Restructuring **Semester: V**
Program: BCOM-H-ECOMBI **Time: 03 hrs**
Course Code: FINC 3008_3 **Max. Marks: 100**

SECTION A
10Qx2M=20Marks
Instruction: Read all the questions carefully and attempt all of them

S. No.		Marks	CO
Q1	Valuation of a firm means: a. Assessing the economic value of the firm b. Assessing the societal value of the firm c. Assessing the environmental value of the firm d. All of the above.	[2]	CO1
Q2	Which of the following is NOT the purpose of valuation? a. Raising Capital b. Litigation and Tax Purposes c. Promote employee engagement d. Dispute Resolution	[2]	CO1
Q3	Which of the following will be an appropriate valuation method for startups with high-risk factors? a. Net asset method b. Contingent Claim Method c. Earnings method d. Dividend Discount Model	[2]	CO1

Q4	Which of the following is the STRATEGIC objective for doing corporate restructuring of a firm? a. Eliminating Competition b. Enhanced Shareholder value c. Tax benefits d. Cost reduction through synergies	**[2]**	**CO1**
Q5	While valuing a merger, which one of the following reflects the most favorable situation? a. $\beta > 1$ b. $\beta < 1$ c. $\beta = 0$ d. β is not a significant factor of concern when valuing a merger	**[2]**	**CO1**
Q6	Which is a classic example of a failed merger? a. Facebook X Instagram b. Nokia X Microsoft c. Zomato X Grofers (BlinkIt) d. Flipkart X Myntra	**[2]**	**CO1**
Q7	Which of the following is NOT a component of the Internal Value Driver of a firm? a. Regulatory Changes b. Patents c. Brand Image d. Operational Efficiency	**[2]**	**CO1**
Q8	Which among the following is a part of the Structural Capital of a firm? a. Skills of the employees	**[2]**	**CO1**

	b. Network c. Innovative technology adoption for operation d. Collaboration in the industry		
Q9	Which of the following statements best defines the Management Buyout Strategy? a) Sale to a larger company or strategic buyer b) Sale to financial buyers c) Transfer ownership to employees d) Current management acquires the business	**[2]**	**CO1**
Q10	A balanced scorecard is used as a tool to evaluate intellectual capital. As an analyst, which of the following metrics would you NOT consider while preparing BSC for your firm? a. No of visitors to your company's website b. ROI c. Customer Retention Rate d. Employee Training Index	**[2]**	**CO1**
SECTION B **4Qx5M= 20 Marks**			
Q11	Explain briefly three factors that affect the valuation of debenture?	**[5]**	**CO2**
Q12	In the context of the valuation of Intellectual Capital, which among the two is more apt for real-time data and why – The market-to-book ratio or Tobin's Q?	**[5]**	**CO2**
Q13	Explain how the economic environment acts as a component of external value drivers for a firm.	**[5]**	**CO2**

Q14	ABC Technologies Ltd. is a software development company. Calculate the Free Cash Flow to Firm (FCFF) using the financial data provided below. <table><tr><td>Particulars</td><td>Amount (in lakhs)</td></tr><tr><td>Sales</td><td>8,50,000</td></tr><tr><td>Operating expenses</td><td>6,30,000</td></tr><tr><td>Depreciation & Amortization</td><td>75,000</td></tr><tr><td>Interest</td><td>25,000</td></tr><tr><td>Corporate Tax Rate</td><td>30%</td></tr><tr><td>Change in working capital</td><td>15,000</td></tr><tr><td>Capital expenditure</td><td>90,000</td></tr><tr><td>Net borrowing</td><td>40,000</td></tr></table>	**[5]**	**CO2**
SECTION-C **3Qx10M=30 Marks**			
Q15	For the Pharmaceutical industry, identify 5 important value drivers and provide a suitable rationale for each.	**[10]**	**CO3**
Q16	ABC Limited has issued debentures with a face value of ₹5,000. These debentures carry a coupon rate of 9% per annum and will mature after 4 years. If an investor requires a return of 11% per annum on similar investments, calculate the fair value of the debenture today. The interest is paid annually.	**[10]**	**CO3**
Q17	What are the types of exit strategies? Briefly explain the implication of the exit strategies.	**[10]**	**CO3**
SECTION-D			

2Qx15M= 30 Marks			
Q18	Tata Consulting Limited, a well-established technology firm with a 25-year track record, specializes in cloud computing, artificial intelligence, and enterprise software solutions. The company has a strong presence across 15 countries and holds several patents in cloud security architecture. With over 50,000 employees globally, Tata Consulting is known for its robust training programs and has maintained an employee retention rate of 92%. Spark Digital Solutions, the target company, is a fast-growing digital innovation firm founded 8 years ago. The company has developed proprietary algorithms for machine learning applications and holds promising patents in AI-driven analytics. With a team of 3,000 employees, including 200 data scientists and AI researchers, Spark Digital has built strong relationships with startups and research institutions. The company has successfully delivered digital transformation projects to Fortune 500 clients and maintains a client retention rate of 85%. Tata Consulting Limited is considering acquiring Spark Digital Solutions. The investment team at Tata has gathered important financial information to value Spark Digital. They found that the current risk-free rate in the market is 7%, and the overall market return is expected to be 15%. When analysing Spark Digital's stock performance, they calculated its beta as 1.5, showing that the company is significantly more volatile than the market. Looking at Spark Digital's debt structure, they noted that the company can borrow at an 11% interest rate and faces a corporate tax rate of 25%. The company maintains a debt-to-equity ratio of 0.75, indicating its reliance on debt financing for operations. The investment team at Tata has carefully estimated Spark Digital's free cash flows for the next five years. They expect the cash flows to grow progressively: ₹50 crores in the first year, increasing to ₹65 crores in the second year, ₹85 crores in the third year, ₹110 crores in the fourth year, and reaching ₹140 crores in the fifth year. After	**[15]**	**CO4**

	this period, they expect the company to grow at a stable rate of 4% per year indefinitely. As a financial analyst at Tata Consulting: What is the total enterprise value of Spark Digital Solutions?		
Q19	Apart from looking at the financials, what are three other factors you would consider before acquiring Spark Digital Solutions?	**[15]**	**CO4**