

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306  
**POST GRADUATE DIPLOMA IN MANAGEMENT (2024-26)**  
**MID TERM EXAMINATION (TERM -IV)**

Subject Name: **Equity and M&A Modelling**

Time: **01.00 hrs**

Sub. Code: **PGF46**

Max Marks: **20**

**Note: All questions are compulsory.**

**Read the following cases and answer the questions:**

**Case 1: Financial Modelling - Understanding the Fundamentals**

Company XYZ is a leading global technology firm with operations spanning software development, hardware manufacturing, and cloud services. With its rapid expansion into new international markets, the company recognizes the importance of strategic financial planning to ensure sustainable growth. The finance team has decided to deepen its understanding of financial modelling, particularly 3-statement modelling, to support decision-making regarding capital investments, debt financing, and overall operational efficiency.

While the finance team has some experience preparing financial statements, they need a structured theoretical understanding of financial modelling, schedules, auditing techniques, and model categorization. In particular, they want to learn how to use supporting schedules like PPE (Property, Plant & Equipment) schedules etc help to improve the accuracy and reliability of forecasts.

You are a seasoned financial analyst invited to deliver a theoretical overview of 3 statement financial modelling to Company XYZ's finance team. Your expertise will help them grasp the essential concepts, techniques, and best practices associated with financial modelling. Provide a theoretical overview of 3 statement financial modelling and address the following questions:

**Questions:**

**Q. 1:** What are the different types of financial models, and how do they vary in terms of purpose and complexity? **(5 Marks) (CO1)**

**Q. 2:** Briefly explain the components (various sheets) of a 3-statement financial. How does net income from the Income Statement impact the Balance Sheet and Cash Flow Statement? **(5 Marks) (CO1)**

**Q. 3:** Provide examples of schedules commonly used in 3 statement modelling? How do these schedules enhance the analysis? Where does CapEx from the PPE schedule flow in the financial statements? **(5 Marks) (CO2)**

**Case 2: Convertible Debt & Valuation**

GreenSpark Innovations Pvt. Ltd. is a clean-energy start-up founded five years ago. The company designs smart solar panels for homes and small businesses. To fund early R&D and market entry, GreenSpark raised ₹2 million two years ago from an angel investor through convertible debt.

The convertible note included:

- Valuation cap: ₹8 million

- Conversion discount: 25%

At the time of the angel round, the company had 80,000 shares outstanding. Now, GreenSpark has grown its revenues significantly and is preparing for a Series A equity round with a venture capital (VC) fund. The VC has agreed to invest ₹4 million at a pre-money valuation of ₹10 million to fuel nationwide sales expansion. The terms require the angel's convertible note to convert into equity at the time of this Series A round.

Just before the deal closes, there is a possibility that the pre-money valuation may be revised down to ₹9 million due to market conditions.

**Q. 4:** Calculate the number of shares the early angel investor will receive on conversion of their ₹2M debt if the Series A goes ahead at the agreed pre-money valuation of ₹10M. **(4 Marks) (CO2)**

**Q. 5:** If the pre-money valuation is revised to ₹9M just before closing, how many shares would the angel investor receive now? **(1 Marks) (CO2)**

**Kindly fill the total marks allocated to each CO's in the table below:**

COs	Marks Allocated
CO1	10 Marks
CO2	10 Marks

**Blooms Taxonomy Levels given below for your ready reference:**

**L1= Remembering**

**L2= Understanding**

**L3= Apply**

**L4= Analyze**

**L5= Evaluate**

**L6= Create**