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| Name:         |  |
| Enrolment No: |  |

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

**Course: Startup Valuation**  
**Program: Int BBA-MBA (Fin)**  
**Course Code: FINC8041**

**Semester: VII**  
**Time: 03 hrs.**  
**Max. Marks: 100**

**SECTION A Fill in The Blanks**  
**10 Q X 2Marks =20Marks**

| S. N. | Questions  | Marks | CO  |
|-------|--|-------|-----|
| 1     | Which of the following methods is most used to value early-stage startups?<br>a) Discounted Cash Flow (DCF) Analysis<br>b) Comparable Company Analysis (CCA)<br>c) Precedent Transaction Analysis<br>d) Risk-Adjusted Return Method  | [2]   | CO1 |
| 2     | What is the primary purpose of conducting a startup valuation?<br>a) To determine employee salaries<br>b) To assess the potential for mergers and acquisitions<br>c) To calculate the market value for investors and shareholders<br>d) To estimate tax liabilities  | [2]   | CO1 |
| 3     | Which of the following is a limitation of the Comparable Company Analysis (CCA) method?<br>a) It only applies to publicly traded companies<br>b) It requires extensive historical data<br>c) It can be difficult to find truly comparable companies<br>d) It is based on subjective assumptions  | [2]   | CO1 |
| 4     | The Precedent Transaction Analysis (PTA) valuation method uses:<br>a) The most recent transaction of a similar company<br>b) The company's financial statements<br>c) Industry-wide revenue averages<br>d) Projected future earnings   | [2]   | CO1 |
| 5     | How do patents primarily affect a startup's market valuation?<br>a) By increasing the startup's debt burden<br>b) By offering exclusive rights to innovative technologies, which increases the startup's competitive advantage<br>c) By reducing the startup's operating costs<br>d) By increasing the startup's reliance on third-party technology            | [2]   | CO1 |
| 6     | What is the primary benefit of a startup having a strong patent portfolio when seeking investment?<br>a) It reduces the startup's product development cycle time<br>b) It serves as a form of intellectual collateral, enhancing investor confidence<br>c) It guarantees a high rate of return on investments<br>d) It eliminates the need for market research | [2]   | CO1 |

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| 7  | <p>What is one of the risks associated with a startup that has strong patents but weak enforcement mechanisms?</p> <p>a) Patents may have no value if they cannot be effectively enforced against infringers<br/> b) The startup will be overvalued due to the perceived strength of its patent portfolio<br/> c) Weak enforcement reduces the startup's revenue from patent licensing<br/> d) The startup can only operate in a limited market, restricting its growth potential</p> | [2]  | CO1 |
| 8  | <p>What is the full form of EBITDA?</p> <p>a) Earnings Before Interest, Taxes, Depreciation, and Amortization<br/> b) Earnings Before Interest, Taxes, Depreciation, and Allocation<br/> c) Earnings Below Interest, Taxes, Depreciation, and Amortization<br/> d) Earnings Before Investment, Taxes, Depreciation, and Amortization</p>  | [2]  | CO1 |
| 9  | <p>If an investor invests \$5 million in a startup with a pre-money valuation of \$20 million, what will the post-money valuation be?</p> <p>a) \$25 million<br/> b) \$15 million<br/> c) \$30 million<br/> d) \$20 million</p>   | [2]  | CO1 |
| 10   | <p>Why is Pre-money Valuation important to both investors and founders?</p> <p>a) It helps determine the price per share in the stock market<br/> b) It determines the value of the company after investment<br/> c) It ensures the equity ownership is properly allocated between the founders and investors<br/> d) It helps predict future revenues</p>  | [2]  | CO1 |
| <b>SECTION B</b><br><b>4Q X 5M= 20 Marks</b> |   |      |     |
| Q11  | How does the Berkus Method of startup valuation help in determining the value of early-stage startups, and what key factors are considered in this approach?  | [5]  | CO2 |
| Q12  | In the Risk Summation Method, how is the base valuation adjusted based on the identified risks, and what impact does this have on the final startup valuation?  | [5]  | CO2 |
| Q13  | What are the key challenges in selecting comparable transactions for the analysis in Precedent Transaction Analysis method for the valuation of Startups?   | [5]  | CO2 |
| Q14  | How does EBITDA help investors evaluate the profitability and financial health of a startup, and what are its limitations as a metric for valuation?  | [5]  | CO2 |
| <b>SECTION-C</b><br><b>3Q X 10M=30 Marks</b> |   |      |     |
| Q15  | Discuss relevance of Exit Strategies and their applications in the process of Startup Valuation   | [10] | CO3 |
| Q16  | You are a financial management Student. Where do you wish to implement the knowledge about various Startup valuation techniques you have gained during this course?   | [10] | CO3 |
| Q17  | <p>To what extent does intellectual property contribute to a startup's valuation? Take a case of any Indian Startup .In support of your answer give examples.</p> <p style="text-align: center;">Or</p> <p>The presence of strong competitors in a market positively or negatively affects a startup's valuation. Explain with suitable examples. How do you account for geopolitical or regulatory risks in startup valuation?</p>   | [10] | CO3 |

**SECTION-D**  
**2Q X 15M= 30 Marks**

The founders of XYZ Technology value the company at \$8 million, primarily due to the proprietary nature of their technology. However, investors are cautious, noting that the company has yet to prove its ability to scale and generate significant revenue. Investors question whether the IP portfolio can justify such a valuation, especially considering that the chatbot market is highly competitive and there are concerns about potential patent infringement. The investors also express concerns about the company's reliance on a single product, which could expose it to risks if competitors develop more advanced or cost-effective solutions. Additionally, while patent applications provide some level of protection, the lack of proven market adoption raises doubts about the long-term sustainability of the business. Investors are also curious about the potential for licensing the technology and whether it could become a significant revenue stream. Given these factors, they suggest a more conservative valuation and may require the founders to demonstrate stronger customer traction and a clear path to profitability.

**Answer the following Questions**

|     |  |      |     |
|-----|--|------|-----|
| Q18 | In the case of a technology-driven startup with significant intellectual property (IP), such as a <b>patented product or proprietary algorithm</b> , how should the value of intellectual property be incorporated into the overall startup valuation, considering factors like IP protection, enforceability in different jurisdictions, and potential future revenues from licensing agreements?   | [15] | CO4 |
| Q18 | What are the risks for investors regarding the <b>scalability</b> of XYZ's business model and the strength of its IP protection? Suggest some measures by which Founders can demonstrate <b>commercial viability</b> of its patented technology to justify a higher valuation, and what steps should the company take to address investor concerns regarding competition and market adoption?<br><p style="text-align: center;">OR</p> How do you determine the appropriate weight for each factor (such as product development, market potential, management team, etc.) when using methods like the Berkus Method or Scorecard Valuation Method for valuing an early-stage startup? In the case of a startup with a highly innovative product but limited financial history, what role does intellectual property play in justifying its valuation, and how can you quantify its contribution to the overall business worth? | [15] | CO4 |