

COMPUTER SCIENCE TRIPOS Part II – 2014 – Paper 7

4 Business Studies (JAL)

- (a) List, with one sentence descriptions, five methods of valuing a company. [5 marks]
- (b) The outline profit and loss account and balance sheet for Certain Software Ltd are as follows:

£'000	Q1	Q2	Q3	Q4	TOTAL
INCOME					
Consultancy	100	200	300	400	1000
Licences	0	25	50	25	100
Total income	100	225	350	425	1100
EXPENDITURE					
Salaries	100	100	100	100	400
Overheads	125	125	125	125	500
Total expenditure	225	225	225	225	900
Profit/(loss)	(125)	0	125	200	200

Balance sheet

SOURCE	
Shareholders capital	100
Bank Loan	50
Trade Debtors	200
Retained Profit	200
Total	550
APPLICATION	
Assets: Computers, desks etc	200
Creditors	100
Bank	250
Total	550

- (i) Provide three different valuations for the company, showing how they were obtained. State any assumptions that you make. [6 marks]
- (ii) 75% of sales are made to Mammoth Corporation, a large public US company. The company receives an offer from Mammoth of \$1.5M for the company. Certain Software Ltd is owned by the founding Directors who still work for the company. Advise the directors. [5 marks]
- (iii) As negotiations proceed it emerges that the takeover terms are \$500K in cash and \$1M in shares of Mammoth Corporation, locked-in for 1 year. Does this alter your advice? [4 marks]