



14MBAFM407

Fourth Semester MBA Degree Examination, June/July 2019
Mergers, Acquisitions and Corporate Restructuring

Time: 3 hrs.

Max. Marks:100

SECTION - A

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

- 1 Distinguish between friendly takeover and hostile takeover. (03 Marks)
- 2 What is purchase consideration? List its types. (03 Marks)
- 3 What is strategic alliance? Why do companies form strategic alliance? (03 Marks)
- 4 Explain the salient features of pooling of interest method and purchase method of accounting. (03 Marks)
- 5 What is Due-Diligence? Write a note on the components of Due-diligence. (03 Marks)
- 6 What is MLP? What are the advantages of MLP? (03 Marks)
- 7 What is the difference between management-Buy-In [MBI] and Management-Buy-Out [MBO]? (03 Marks)

SECTION - B

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

- 1 Explain the following in the context of mergers:
i) Horizontal merger ii) Vertical merger iii) Conglomerate merger (07 Marks)
- 2 What is LBO? Explain the various stages of LBO and candidates for LBO. (07 Marks)
- 3 Briefly explain the Managerial challenges in Mergers and Acquisitions. (07 Marks)
- 4 Explain the application of BCG Matrix in the Context of Merger. (07 Marks)
- 5 What is synergy? Explain the various synergies that are possible from merger. (07 Marks)
- 6 Define Corporate Restructuring. What are the objectives of Corporate Restructuring? (07 Marks)
- 7 Discuss the various motives of Mergers and Acquisitions. (07 Marks)

SECTION - C

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

- 1 What are the organizational and human aspect that should be considered during merger integration? (10 Marks)
- 2 Explain the following in the context of a takeover or acquisition:
i) Poison-Pill ii) Crown-Jewel iii) White Knight
iv) Golden Parachutes v) Pac-Man Defense (10 Marks)
- 3 What is Joint Venture? What are the reasons for forming joint ventures and what are the reasons for failure of Joint Venture? (10 Marks)

- 4 What conditions has to be fulfilled to treat amalgamation as:
 i) An amalgamation in the nature of merger
 ii) An amalgamation in the nature of purchase (10 Marks)
- 5 Briefly explain the various process or steps in merger. (10 Marks)
- 6 What do you mean by divestures? Briefly explain the reasons for divestures. What is the difference between Demerger and Liquidation? (10 Marks)
- 7 Write short notes on:
 i) Equity Carve out
 ii) Limited Liability Partnership (LLP)
 iii) Buy-back of shares
 iv) Spin-off and split-up
 v) ESOP (10 Marks)

SECTION - D**CASE STUDY – [Compulsory]**

1. Praveen Ltd. wants to acquire Akhil Ltd. by exchanging 0.5 of its shares for each share of Akhil Ltd. The relevant financial data are as follows:

	Praveen Ltd	Akhil Ltd
Earnings after tax	Rs.18,00,000	Rs.3,60,000
Equity shares outstanding	6,00,000	1,80,000
Earnings per share	Rs.3	Rs.2
P/E ratio	10	7
Market price per share	Rs.30	Rs.14

You are required to determine:

- The number of shares required to be issued by Praveen Ltd. for acquisition of Akhil Ltd.
 - What is the EPS of Praveen after the acquisition?
 - Determine the equivalent EPS of Akhil Ltd.
 - What is the expected market price per share of Praveen after the acquisition assuming the P/E remains unchanged?
 - The market value of the merged firm.
2. The Balance of Rohit Ltd as on 31/3/2015 was

Liabilities	Amount	Assets	Amount
Equity share capital (10,000 share of Rs.20 each)	2,00,000	Plant and machinery	2,50,000
Preference share capital (10,000 shares of Rs.10 each)	1,00,000	Furniture	50,000
Retained earnings	50,000	Debtors	50,000
12% debentures	50,000	Stock	30,000
Creditors and other current liabilities	25,000	Bank balance	30,000
	4,25,000	Cash	15,000
			4,25,000

- The company is to be absorbed by Ramesh Ltd. The consideration for the absorption is the discharge of debentures at a premium of 10%, taking over the liability in respect of creditors and other current liabilities and payment of Rs.12 in cash and one share of Rs.10 in Ramesh Ltd. at a market value of Rs.14 per share in exchange of one share of Rohit Ltd. Preference shareholders receive same amount in new company. Cost of dissolution of Rs.12000 is to be met by the purchase company.
- Expected incremental yearly FCFF from acquisition for 5 years are:

Year end	1	2	3	4	5
Amount (Rs.)	1,00,000	1,35,000	1,75,000	2,00,000	80,000
- The FCFF of Rohit Ltd. are expected to be constant after 5 years.
- Cost of capital for Rohit Ltd is to be taken at 12%.

Based on the above information, comment on the financial soundness of this merger by determine NPV.

(20 Marks)