



# CBCS SCHEME

18MBAFM401

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## Fourth Semester MBA Degree Examination, June/July 2023 Mergers, Acquisition and Corporate Restructuring

Time: 3 hrs.

Max. Marks: 100

- Note: 1. Answer any FOUR full questions from Q.No.1 to Q.No.7.  
2. Question No. 8 is compulsory.

- 1 a. State different motives of merger. (03 Marks)  
b. Explain different types of merger with relevant examples. (07 Marks)  
c. Explain industry life cycle in the context of merger. (10 Marks)
- 2 a. Mention the reasons for failure of M and A. (03 Marks)  
b. What is synergy? Explain the various synergies that are possible from merger. (07 Marks)  
c. Explain the application of BCG matrix in the context of merger. (10 Marks)
- 3 a. What is purchase consideration? List its types. (03 Marks)  
b. What is Due Diligence? Explain the types of due diligence. (07 Marks)  
c. Company X wishes to takeover company Y. The financial details of the two companies are as under.

Particulars	Company X	Company Y
Equity shares [Rs.10 per share]	1,00,000	50,000
Share Premium a/c	-	2000
P & L a/c	38,000	4000
Preference shares	20,000	-
10% debentures	15,000	5,000
	1,73,000	61,000
Fixed Assets	1,22,000	35,000
Net current assets	51,000	26,000
Maintainable annual profit (after tax) for equity share holders	24,000	15,000
MPS	24	27
P/E ratio	10	9

What offer do you think company X could make to company Y in terms of exchange ratio, based on: (i) Net asset value (ii) EPS (iii) MPS? Which method would you prefer from company X's point of view? (10 Marks)

- 4 a. What is spin off? (03 Marks)  
b. Discuss the salient features of the Competition Act 2002. (07 Marks)  
c. What are the organizational and human aspect that should be considered during merger integration? (10 Marks)
- 5 a. What is Master Limited Partnership (MLP)? (03 Marks)  
b. Define Corporate Restructuring? What are the objectives of corporate restructuring? (07 Marks)  
c. What is Joint Venture? What are the reasons for forming joint ventures and what are the reasons for failure of joint ventures? (10 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

- 6 a. What do you mean by Golden Parachute? (03 Marks)  
 b. Explain the types of hostile takeover. (07 Marks)  
 c. The following information is provided related to the acquiring Firm Regaalis Limited and the target firm Metropole Limited.

Particulars	Regaalis	Metropole
Earnings after tax (Rs.)	2,000 lakhs	400 lakhs
Number of shares outstanding	200 lakhs	100 lakhs
P/E (ratio) times	10	5

Required:

- (i) What is the swap ratio based on current market prices and what is the EPS of Regaalis Limited after acquisitions?  
 (ii) What is the expected market price per share of Regaalis Ltd after acquisitions, assuming P/E ratio of Regaalis Limited remains unchanged.  
 (iii) Determine the market value of the merged firm.  
 (iv) Calculate gain/loss for shareholders of the 2 independent companies, after acquisition. (10 Marks)
- 7 a. What is divestitures? (03 Marks)  
 b. What conditional has to be fulfilled to treat amalgamation as (i) nature of merger and (ii) nature of purchase. (07 Marks)  
 c. What is takeover? Explain anti-takeover strategies. (10 Marks)

8 **Case Study:**

The following is the Balance Sheet of 'Dee Ltd.' as on 31-03-2020 ( Treat amalgamation in the nature of merger)

Liabilities	Amount (in Rs.)	Assets	Amount (in Rs.)
Share capital (40000 equity shares of Rs.10 each)	4,00,000	Building	1,70,000
General Reserves	50,000	Plant & Machinery	4,00,000
P & L A/C	29,600	Investment	50,600
10% Debentures	2,50,000	Debtors	1,40,500
Creditors	1,28,700	Stock	80,700
	8,58,300	Cash at bank	16,500
			8,58,300

Dee Ltd. was absorbed by 'Comet Ltd' on the above mentioned date on the following terms and conditions:

Comet Ltd to:

- (i) Assume liabilities and to acquire all assets except investments which were sold by Dee Ltd. for Rs.45,000.  
 (ii) Discharge the debentures of Dee Ltd. at a discount of 5% by issue of 12% debentures of Rs.100 each in Comet Ltd.  
 (iii) Issue two equity shares of Rs.5 each in Comet Ltd. at Rs.6 per share and also to pay Rs.2 per share in cash to the share holders of Dee Ltd. in exchange of every share in Dee Ltd.  
 (iv) Pay the cost of absorption Rs.2,500 as part of purchase consideration. Dee Ltd, sold in the open market 1/4<sup>th</sup> of the shares received from Comet Ltd. at the average rate of Rs.5.50 per share.

Show the necessary ledger a/c in the books of Dee Ltd. and the opening entries in the books of Comet Ltd. (20 Marks)

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