16/17MBAFM401

Fourth Semester MBA Degree Examination, Dec2019/Jan.2020
Mergers, Acquisitions and Corporate Restructuring

Time: 3 hrs.

Max. Marks:80

Note: *1. Answer any FOUR full questions from Q1 to Q7.*
2. Question No. 8 is compulsory.

1 a. What is a triangular merger? **(02 Marks)**
   b. Differentiate between horizontal and vertical mergers and acquisitions (M & A). **(06 Marks)**
   c. Explain the various theories of mergers. **(08 Marks)**

2 a. What is a conglomerate merger? **(02 Marks)**
   b. How does a firm analyse itself against competition? **(06 Marks)**
   c. With the help of a neat diagram, briefly explain the BCG matrix. **(08 Marks)**

3 a. What is a corporate spin off? **(02 Marks)**
   b. Explain the basic reasons for corporate restructuring. **(06 Marks)**
   c. Illustrate the reasons for formation of Joint Ventures (JV's). Why do joint ventures fail? List the objectives and benefits of Joint Ventures. **(08 Marks)**

4 a. What is due diligence? **(02 Marks)**
   b. What are the components of due diligence? Explain them. **(06 Marks)**
   c. Explain the five stages(5–S) model of the M & A process. **(08 Marks)**

5 a. List the different forms of takeovers. **(02 Marks)**
   b. What are the main elevents of the SEBI takeover code? **(06 Marks)**
   c. Explain the various takeover defenses available to a target company. **(08 Marks)**

6 a. What do you mean by a reverse merger? **(02 Marks)**
   b. Explain the financial benefits available by merging through synergy. **(06 Marks)**
   c. Briefly explain the strategic motives behind mergers and acquisitions. **(08 Marks)**

7 a. What is a Cash Merger? **(02 Marks)**
   b. Write a note on the different types of synergies. **(06 Marks)**
   c. With the help of a diagram, explain the product life cycle analysis. **(08 Marks)**

8   CASE STUDY [Compulsory]

The following information is given about the two firms XYZ and ABC.

Particulars	Firm XYZ	Firm ABC
Market price for share	Rs. 60	Rs. 20
Number of shares	6,00,000	2,00,000
Market value of the firm	360 lakhs	40 lakhs

Firm XYZ intends to acquire firm ABC. The market price per share of ABC has increased by Rs.4/- because of rumours that firm ABC might receive a favorable merger offer. Firm XYZ assures that by combining the two firms, will save costs by Rs. 20 lakhs.
Firm XYZ has two options :
i)   Pay Rs.70 lakhs cash for firm ABC
ii) Offer 1,25,000 shares instead of Rs. 70 lakhs to the share holders of ABC Ltd.

Calculate :
a. The cost of cash offer, if ABC's market price reflects only its value as a separate entity.
                                                                              (04 Marks)

b. Cost of cash offer if ABC's market price reflects the value of the merger announcement.
                                                                              (04 Marks)
                                                                              (04 Marks)
c. Apparent cost of the stock offer.
                                                                              (04 Marks)
d. True cost of the stock offer.

* * * * *