USN [ ][ ][ ][ ][ ][ ][ ][ ][ ][ ]　　　　　　　　　　**18MBAFM401**

Fourth Semester MBA Degree Examination, Jan./Feb. 2021
Mergers, Acquisitions 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.	What are Divestitures?	(03 Marks)
	b.	Bring out the differences between operating synergy and financial synergy.	(07 Marks)
	c.	Explain the steps in merger process with suitable examples.	(10 Marks)

2　a.　What is meant by Hostile Takeover?　　　　　　　　　　　　　　　　(03 Marks)
　　b.　Bring out the dynamics of Industry Life Cycle during M & A decision.　　(07 Marks)
　　c.　What is Due diligence? Explain the different types.　　　　　　　　　　(10 Marks)

3　a.　What is Golden Parachute?　　　　　　　　　　　　　　　　　　　　(03 Marks)
　　b.　Are sell off and spin off similar? Kindly, explain the similarities and differences.　(07 Marks)
　　c.　Bring out the features of MLP and LLP in M & A context.　　　　　　　　(10 Marks)

4　a.　State the different types of determining purchase consideration.　　　　　(03 Marks)
　　b.　Explain the reasons for failures in mergers.　　　　　　　　　　　　　(07 Marks)
　　c.　What are the various anti takeover defenses available to a target firm? Briefly explain.
　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　(10 Marks)

5　a.　What is PER? Explain its importance in valuation.　　　　　　　　　　　(03 Marks)
　　b.　Write a note on Porters 5 force model.　　　　　　　　　　　　　　　(07 Marks)
　　c.　PQ Ltd. wants to acquire MN Ltd by exchanging its 1.6 shares for every share of MN Ltd. The PER will remain same subsequent to the merger also. Following details are available:

Particulars	PQ Ltd	MN Ltd.
EAT (Rs)	15,00,000	4,50,000
No. of equity shares O/S	3,00,000	75,000
Market price per share (Rs.)	35	40

　　　　(i)　　What is the exchange ratio based on market prices?
　　　　(ii)　　What is the pre merger EPS and PER for both the firms?
　　　　(iii)　　What is the PER used in acquiring MN Ltd?
　　　　(iv)　　What will be the EPS of PQ Ltd. after the acquisition?
　　　　(v)　　Expected market price per share of the merged company.　　　　　(10 Marks)

6　a.　What is a friendly takeover? State an example.　　　　　　　　　　　　(03 Marks)
　　b.　Bring out significance of HR aspects involved during the merger and acquisition process.
　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　(07 Marks)

c. Calculate the purchase consideration and pass necessary journal entries in the books of transferor.

Balance Sheet of X Ltd.

Capital and Liabilities	Amount	Assets	Amount
Share capital (5000 ES of 100 each)	5,00,000	Goodwill	2,00,000
10% P.S. of 10 each	2,00,000	P & M	4,00,000
General Research	2,00,000	Furniture	1,10,000
P & L A/C	1,00,000	Stock	3,50,000
Bills payable	1,50,000	Debtors	1,50,000
Sundry Creditors	1,50,000	Cash at bank	50,000
		Preliminary Exp.	40,000
	13,00,000		13,00,000

X Ltd. is taken over by Y Ltd on the following conditions:
(i) Goodwill is values at Rs.3,00,000, stock at Rs.3,20,000 and other assets at book values.
(ii) Cash is not taken over.
(iii) Consideration is to be paid in the form of fully paid shares of Y Ltd. at Rs.10 each.

(10 Marks)

7 a. Explain equity carve out. (03 Marks)
b. Bring out the difference between LBO and MBO. (07 Marks)
c. A Ltd wants to acquire T Ltd by exchanging 0.5 of its shares for each share if T Ltd. The relevant data is as follows:

Particulars	A Ltd.	T Ltd.
EAT (Rs.)	18,00,000	3,60,000
Equity share o/s	6,00,000	1,80,000
EPS (Rs)	3	2
P/E ratio	10	7
MPS	30	14

Required:
(i) Number of equity shares to be issued by A Ltd. for acquisition of T Ltd.
(ii) EPS of A Ltd. after acquisition.
(iii) Equivalent EPS of T Ltd.
(iv) Assuming P.E. R remains unchanged after acquisition, what is the expected market price of A Ltd.?
(v) Market value of the merged firm. (10 Marks)

8 Following data relates to companies A and T:

Particulars	Company A	Company T
EAT (Rs.)	1,40,000	37,500
Equity shares O/S	20,000	7500
EPS (Rs.)	7	5
PER (times)	10	8
MPS (Rs.)	70	40

Company A acquires company T exchanging its one share for 1.5 shares of B Ltd. Assume earnings and PER are same.
a. Show the extent of gain to shareholders of A & T. (10 Marks)
b. Are they better off or worse off? (10 Marks)

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