CBCS SCHEME

USN | | | | | | | | | | |

22MBAFM404

Fourth Semester MBA Degree Examination, June/July 2025

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.*
3. *M : Marks , L: Bloom's level , C: Course outcomes.*

			M	L	C
Q.1	a.	What do you mean by Swap Ratio?	03	L1	CO5
	b.	What is hostile takeover? Explain the forms of Hostile takeover?	07	L2	CO6
	c.	Discuss the forces contributing to M & A?	10	L2	CO3
Q.2	a.	What is purchase consideration? List out its types?	03	L1	CO4
	b.	What is synergy? Explain its types?	07	L3	CO3
	c.	Explain the different forms of active-anti takeover defensive amendments.	10	L3	CO6
Q.3	a.	What is demerger?	03	L1	CO1
	b.	Calculate purchase consideration under Net Asset Method	07	L3	CO4

Liabilities	Amount	Assets	Amount
Share Capital (6000 shares of Rs. 100 each)	6,00,000	Goodwill	1,70,000
13% preference share (Rs. 10 fully paid)	2,00,000	Plant and Machinery	3,40,000
General Reserve	1,50,000	Furniture & fitting	1,22,000
P & L A/c	50,000	Stock	4,34,000
Bills payable	40,000	Debtors	1,36,000
Sundry Creditors	2,05,000	Cash at bank	20,000
		Preliminary Exp.	23,000
	12,45,000		**12,45,000**

The terms of purchase are as follows:
i) Goodwill is valued at Rs. 2,50,000 while stock is valued at Rs. 4,14,000 and other assets are valued at their book values
ii) Cash is not taken over
iii) Consideration is to be paid in the following manner
→ 60,000 equity shares of Rs. 10 each at a premium of 10%
→ 1,000, 13% Preference shares of Rs. 10 each at par
→ 5,000, 14% debenture of Rs. 10 each at a discount of 5%
→ Balance being paid in cash

			M	L	C
	c.	Discuss the 5 – stage model of M & A?	10	L3	CO2
Q.4	a.	Differentiate between friendly and hostile takeover.	03	L2	CO6
	b.	What is due diligence? Explain its forms.	07	L3	CO2

	c.	The XYZ Ltd wants to acquire ABC Ltd., by exchanging its 1.6 shares for every share of ABC Ltd. It anticipates to maintain the existing P/E ratio subsequent to the merger also. The relevant financial data are furnished below:	10	L3	CO4

	XYZ Ltd	ABC Ltd
Earnings after tax (EAT) Rs.	15,00,000	4,50,000
Number of equity shares outstanding	3,00,000	75,000
Market price per share (MPS) Rs.	35	40

i) What is the exchange ratio bases on market price?
ii) What is the pre-merger EPS & the P/E ratio for each company?
iii) What was the P/E ratio used in acquiring ABC Ltd.?
iv) What is the EPS of XYZ company after the acquisition?
v) What is the expected market price per share of the merged company?

Q.5	a.	What is Leveraged Buy Out (LBO)?	03	L1	CO1
	b.	The following is the balance sheet of ABC company as on 31st March, 2024	07	L2	CO4

Liabilities	Amount	Assets	Amount
Share Capital (20000 shares of Rs. 10 each)	2,00,000	Land & Buildings	1,20,000
Debenture	1,00,000	Plant and Machinery	1,50,000
Creditors	30,000	Stock	90,000
Reserve fund	25,000	Furniture & fitting	2,500
Workmen's compensation fund	10,000	**Current Assets**	
Dividend Equalization fund	10,000	Debtors	36,000
P & L Appropriation A/c	5,100	Cash at bank	12,500
Depreciation provision – L & B	20,000	Cash in hand	100
	4,00,100		**4,00,100**

The company is amalgamated in the nature of purchase by XYZ company on the above date. The consideration for the amalgamated company is taking over the debenture, the trade liability and a payment of Rs. 7 in cash and one share of the face value of Rs. 5 in XYZ company (market value per share is Rs. 8 per share) in exchange for one share in ABC company Ltd. The cost of liquidation Rs. 500 is to be met by the purchasing company.
Pass journal entries in the book of ABC Company.

	c.	Briefly explain the efficiency theories of merger?	10	L3	CO3
Q.6	a.	What is MLP? What are its types?	03	L1	CO1
	b.	Explain the SEBI takeover codes?	07	L3	CO5
	c.	Discuss the HR aspects considered in M & A process?	10	L3	CO3
Q.7	a.	What do you mean by Amalgamation? Explain its types.	03	L1	CO6
	b.	Explain rational behind joint venture.	07	L2	CO1
	c.	Discuss the different types of corporate restructuring.	10	L2	CO1

Q.8 | 20 | L5 | CO4

Prospective limited is contemplating taking over the business of target limited. The summarized balance sheet of target limited as on 31st March was as follows.

Liabilities	Amount	Assets	Amount
Equity Share Capital (50 lakh @ Rs. 10)	500	**Fixed Assets:**	
General reserve	250	Land & Building	300
Profit & loss account	120	Plant and Machinery	580
13% debentures	100	**Current Assets:**	
Current liabilities	30	Inventories	70
		Debtors	35
		Bank	15
	1,000		**1,000**

Additional information :

i. Prospective limited agrees to take over all the current asset at their book value but the fixed assets were to be revalued as under

Land & building : Rs. 500 lakh

Plant & machinery : Rs. 500 lakh

These sums apart, Prospective limited is required to pay Rs. 50 lakh for goodwill.

ii) Purchase consideration is to be paid as Rs. 130 lakh, in cash, to pay for 13% debentures and other liabilities and the balance is to be paid in terms of share of prospective limited.

iii) Expected benefits (FCFF) accruing to prospective limited, are as follows:

(Rs. in lakhs)

Year	1	2	3	4	5
Cash Flow (Rs.)	200	300	260	200	100

Further, it is estimated that the FCFF are expected to grow at 5% per annum after 5 years.

iv) Cost of capital for the purpose of analysis is to be 15%

Suggest whether Prospective Limited is likely to benefit taking over Target Limited.

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