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14MBAFM407

**Fourth Semester MBA Degree Examination, Dec.2017/Jan.2018**  
**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 State the different types of merger. (03 Marks)
- 2 Describe the five forces of Porter's model. (03 Marks)
- 3 What is a MLP? (03 Marks)
- 4 What is Due Diligence? (03 Marks)
- 5 What do you mean by Golden Parachute? (03 Marks)
- 6 Give the meaning of share exchange ratio. (03 Marks)
- 7 List the methods of calculating purchase consideration. (03 Marks)

**SECTION - B***Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Explain the reasons for the failure of M and A. (07 Marks)
- 2 Distinguish between pooling of interest method and purchase method of accounting for amalgamation. (07 Marks)
- 3 Explain the types of Hostile takeover. (07 Marks)
- 4 List out the factors involved in divestiture decisions and explain. (07 Marks)
- 5 'A' Ltd is planning to acquire 'B' Ltd. provided there is synergy in the acquisition which will result in A Ltd. reporting an EPS of atleast of Rs. 2.75. Consider the following information :

Particulars	'A' Ltd	'B' Ltd
EPS[Rs.]	2.25	2.25
MPS[Rs.]	18	12
P/E ratio	8	5.3
Member of shares	1,50,000	1,50,000

There is no immediate gain in the merger through there will be long term synergies. Compute share exchange ratio which will raise the post merger EPS of 'A' Ltd and 'B' Ltd. (07 Marks)

- 6 Explain the role of industry life cycle in M and A. (07 Marks)
- 7 Discuss the salient features of SEBI takeover code. (07 Marks)

**SECTION - C**

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

- 1 Discuss the efficiency theories of merger. (10 Marks)
- 2 Explain the rational behind joint ventures. (10 Marks)
- 3 Discuss the anti-takeover defensive measures adopted by the firms in case of a takeover. (10 Marks)
- 4 Explain the five stage model of merger process. (10 Marks)
- 5 Discuss the tax concessions available when amalgamation takes place. (10 Marks)
- 6 Write short notes on : i) LBO ii) MBO. (10 Marks)
- 7 XYZ Ltd. is intending to acquire ABC Ltd. [by merger]. The following information is available in respect of the companies.

Particulars	XYZ Ltd.	ABC Ltd.
Number of equity shear	5,00,000	3,00,000
Earnings after taxes [Rs.]	25,00,000	9,00,000
MPS [Rs.]	21	14

- i) What is the present EPS of both the companies?
- ii) If the proposal of merger takes place, what would be the new EPS of XYZ Ltd. [Assuming that the merger takes place by exchange of equity shears and the exchange ratio is based on the current market prices]
- iii) What should be the exchange ratio, if ABC Ltd. wants to ensure the same earnings ratio to its members as before the merger? (10 Marks)

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

Exe Ltd. is takeover by Wye Ltd. given below are the balance sheets of two companies.  
(Amt.is Rs)

Liabilities	Exe Ltd.	Wye Ltd.	Assets	Exe Ltd.	Wye Ltd.
<u>Share capital :</u>			Sundry assets	16,85,000	43,57,500
Authorized			Cash in hand	3,500	27,500
9000 equality shares of Rs. 150 each	1,35,000	–			
60,000 equity shares of Rs. 75 each	–	45,00,000			
<u>Paid – up capital :</u>					
9000 equity shears of Rs. 150 each	12,15,000	–			
40,000 equity shares of Rs. 75 each	–	30,00,000			
General Reserve	403,500	12,85,000			
Profit and Loss a/c	15,000	35,000			
Creditors	55,000	65,000			
	16,88,500	43,85,000		16,88,500	43,85,000

The holder of every 3 shares in Exe Ltd. was to receive 5 shares in Wye Ltd. Pass necessary journal entries in the books of both the companies and balance sheet of Wye Ltd. after takeover. The amalgamation is in the nature of merger. (20 Marks)