

CBCS SCHEME

16/17MBAFM401

USN

--	--	--	--	--	--	--	--	--	--

Fourth Semester MBA Degree Examination, Aug./ Sept. 2020 Merger, 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 poison Pill? (02 Marks)
b. Explain the BCG matrix. (06 Marks)
c. Explain the theories of merger. (08 Marks)
- 2 a. What is MLP? (02 Marks)
b. What is synergy? Explain its types. (06 Marks)
c. Explain 5 pitfalls of acquisition. (08 Marks)
- 3 a. What do you mean by Hostile takeover? (02 Marks)
b. Explain the different stages of industry life cycle to mergers. (06 Marks)
c. What is due diligence? Who is required to undertake it? (08 Marks)
- 4 a. What do you mean by Spin-off? (02 Marks)
b. Discuss the provisions of SEBI takeover code. (06 Marks)
c. Explain various methods of financial restructuring. (08 Marks)
- 5 a. What do you mean by Hubris Hypotheses? (02 Marks)
b. Explain the types of merger. (06 Marks)
c. Explain the five stage model of merger process. (08 Marks)
- 6 a. What is LBO? (02 Marks)
b. Explain the rationale behind joint venture. (06 Marks)
c. Explain various reasons for corporate restructuring. (08 Marks)
- 7 a. What is proxy contest? (02 Marks)
b. Explain the motives and benefits of mergers and acquisitions. (06 Marks)
c. XYZ Ltd is considering merger with ABC Ltd. XYZ Ltd., shares are currently traded at Rs.25. It has 2,00,000 shares outstanding and its Profits After Taxes (PAT) amount to Rs. 4,00,000. ABC Ltd., has 1,00,000 shares outstanding. Its current market price is Rs.12.50 and its PAT are Rs. 1,00,000. The merger will be effected by means of a stock swap. ABC Ltd. has agreed to a plan under which XYZ Ltd. will offer the current market value of ABC Ltd's shares.
 - i) What is the pre – merger earning per share and P/E ratios of both the companies?
 - ii) If ABC Ltd's P/E ratio is 8, what is its current market price? What is the exchange ratio? What will XYZ Ltd's post merger EPS be?
 - iii) What must the exchange ratio be for XYZ Ltd's that pre and post merger EPS to be the same. (08 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.

CMRIT LIBRARY
BANGALORE - 560 037

8 CASE STUDY [Compulsory]

On 31st March 2018, the balance sheet of X Ltd., stood as follows :

Liabilities	Rs.	Assets	Rs.
Share capital 1,50,00 equity shares of Rs.10 each fully paid	15,00,000	Plant and machinery	16,10,000
Shares premium	1,50,000	Furniture	1,94,400
General reserve	6,25,500	Stock	7,05,500
P & L A/c	1,85,300	Debtors	1,98,440
Creditors	3,60,740	Cash at bank	1,13,200
	28,21,540		28,21,540

On this date, X Ltd., took over the business of Y Ltd., for Rs. 6,60,000 payable in the form of its fully paid equity shares of Rs.10 each at par, shareholders of Y Ltd., getting 110 shares of X Ltd., for every 100 shares held in Y Ltd., the scheme of amalgamation also provided that 3000 11% debentures of 'y' Ltd. would be converted into equal number of 12% debentures of X Ltd., of Rs.100 each. The balance sheet of Y Ltd., the date of amalgamation was as follows :

Liabilities	Rs.	Assets	Rs.
Share capital 60,000 equity shares of Rs.10 each fully paid	6,00,000	Machinery	5,50,000
Capital reserve	13,000	Furniture	1,35,200
Foreign projects reserve	9,700	Stock	3,15,800
General reserve	75,350	Debtors	1,29,300
P & L A/c	24,130	Cash at Bank	74,360
3000 11% debentures of Rs.100 each	3,00,000		
Creditors	1,82,480		
	12,04,660		12,04,660

- You are required to
- Pass Journal Entries in the books of 'X' Ltd., assuming that the amalgamation is in the nature of merger. (08 Marks)
 - Prepare realization A/c and equity shareholders A/c in 'Y's ledger. (08 Marks)

s
