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Fourth Semester MBA Degree Examination, June/July 2024 Mergers, Acquisitions and Corporate Restructuring

Max. Marks: 100

- Note: 1. Answer any FOUR full questions from Q.No.1 to 7.
2. Q.No. 8 is compulsory.
3. M : Marks , L: Bloom's level , C: Course outcomes.*

			M	L	C																																																														
Q.1	a.	Give the meaning of LBO.	3	L1	CO1																																																														
	b.	Mention some reasons for the failure of merger and acquisition.	7	L2	CO2																																																														
	c.	Explain industry life cycle in the context of merger.	10	L6	CO2																																																														
Q.2	a.	What is purchase consideration? List its types.	3	L1	CO5																																																														
	b.	What is Due Diligence? Explain the types of due diligence.	7	L5	CO3																																																														
	c.	On the basis of following information of XYZ Ltd., you are required to calculate net asset value per share as per book value, market value and liquidation value bases. Balance sheet of XYZ Ltd <div style="text-align: right; margin-left: 100px;">Rs.</div> <table style="width: 100%; margin-left: 20px;"> <tr> <td colspan="2">D) Equity and Liabilities</td> <td></td> </tr> <tr> <td colspan="2">i) Shareholder's Funds</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">a) Share Capital (20,000 11% preference shares of Rs.100 each, fully paid-up)</td> <td style="text-align: right;">20,00,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">b) Shares capital (60,000 equity shared of Rs.100 each fully paid-up)</td> <td style="text-align: right;">60,00,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">ii) Non current liabilities 10% debentures</td> <td style="text-align: right;">10,00,000</td> <td></td> </tr> <tr> <td colspan="2">iii) Current liabilities</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">a) Trade creditors</td> <td style="text-align: right;">35,50,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">b) Provision for Income tax</td> <td style="text-align: right;">4,00,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">c) Profit and Loss account</td> <td style="text-align: right;">11,50,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">1,41,00,000</td> <td></td> </tr> <tr> <td colspan="2">II) Assets:</td> <td></td> </tr> <tr> <td colspan="2">i) <u>Non-current assets:</u></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">a) Fixed Assets</td> <td style="text-align: right;">75,00,000</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Less depreciation</td> <td style="text-align: right;">15,00,000</td> <td style="text-align: right;">60,00,000</td> </tr> <tr> <td style="padding-left: 20px;">b) Other non current assets:</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Preliminary exp's</td> <td></td> <td style="text-align: right;">1,00,000</td> </tr> <tr> <td colspan="2">ii) <u>Current Assets:</u></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">a) Stock</td> <td style="text-align: right;">50,00,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">b) Debtors</td> <td style="text-align: right;">25,00,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">c) Cash and Bank</td> <td style="text-align: right;">5,00,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">1,41,00,000</td> <td></td> </tr> </table>	D) Equity and Liabilities			i) Shareholder's Funds			a) Share Capital (20,000 11% preference shares of Rs.100 each, fully paid-up)	20,00,000		b) Shares capital (60,000 equity shared of Rs.100 each fully paid-up)	60,00,000		ii) Non current liabilities 10% debentures	10,00,000		iii) Current liabilities			a) Trade creditors	35,50,000		b) Provision for Income tax	4,00,000		c) Profit and Loss account	11,50,000		Total	1,41,00,000		II) Assets:			i) <u>Non-current assets:</u>			a) Fixed Assets	75,00,000		Less depreciation	15,00,000	60,00,000	b) Other non current assets:			Preliminary exp's		1,00,000	ii) <u>Current Assets:</u>			a) Stock	50,00,000		b) Debtors	25,00,000		c) Cash and Bank	5,00,000		Total	1,41,00,000		10	L5
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		<u>Additional Information:</u> i) According to professional assessors the market value of fixed asset is Rs.65,00,000; stock is Rs.51,00,000; debtors is Rs.22,50,000 and all the remaining assets are to be taken at their balance sheet values. ii) The dividend on preference share is neither paid nor declared. iii) In case if the company goes into liquidation the assessors gave the estimate of current amount of sale of fixed assets as Rs.52,50,000 stock as Rs.45,00,000 and debtors as Rs.20,00,000. iv) The liquidation cost amounts to Rs.7,50,000.				
Q.3	a.	What is spin off?	3	L1	CO1	
	b.	Discuss the salient features of the competition Act 2002.	7	L5	CO6	
	c.	What are the organizational and human aspect that should be considered during post merger integration?	10	L6	CO2	
Q.4	a.	What is Master Limited Partnership (MLP)?	3	L1	CO1	
	b.	Define Corporate Restructuring. What are the objectives of Corporate Restructuring?	7	L1	CO1	
	c.	What is Joint Venture? What are the reasons for forming joint ventures and what are the reasons for failure of joint ventures?	10	L3	CO2	
Q.5	a.	What are different types of merger?	3	L1	CO2	
	b.	Explain the strategic motives behind mergers and acquisitions.	7	L6	CO3	
	c.	Discuss the various efficiency theories of mergers.	10	L5	CO3	
Q.6	a.	Name three challenges of due diligence process.	3	L1	CO2	
	b.	Narrate the process of merger integration.	7	L5	CO6	
	c.	Dividend on a share during current year Rs.20, the value is Rs.100. Dividends are expected to grow at a constant rate 10.9% for 5 years and then 8% infinitely. An investor expects a return of 25% p.a. suggest him at what price he should buy it?	10	L5	CO6	
Q.7	a.	What is ESOP?	3	L1	CO2	
	b.	Define M & A five stage model. Explain five stage model with diagram. Write a note on five stage model.	7	L3	CO3	
	c.	Explain the different types of business valuation approaches.	10	L5	CO3	

Q.8

CASE STUDY (Compulsory)

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L5

CO4

The companies, X Ltd. and Y Ltd. have furnished their balance sheets for the accounting treatment of amalgamation.

Particulars	X Ltd. (Rs.)	Y Ltd. (Rs.)
I) Equity and Liabilities:		
i) Shareholder's fund 9% preferences shares capital (Shares of Rs.100 each)	4,00,000	-
Equity shares capital (shares of Rs.10 each)	8,00,000	4,00,000
a) Reserves and surplus:		
Reserves	1,60,000	1,00,000
Statement of P and L	2,00,000	40,000
b) Current Liabilities and Provisions:		
Creditors	40,000	20,000
Total	16,00,000	5,60,000
II) Assets:		
i) Non current assets		
a) Property, Plant and Equipment and Intangible assets		
1) Goodwill	2,80,000	-
2) Building (office)	4,00,000	2,00,000
3) Plant and Machinery	3,00,000	1,20,000
4) Furniture and fixtures	1,40,000	80,000
b) Investments	2,00,000	-
ii) Current Assets:		
a) Stock	1,60,000	80,000
b) Debtors	80,000	60,000
c) Bank Balance	40,000	20,000
Total	16,00,000	5,60,000

Thus, for serving the purpose of amalgamation, a new company is formed as XY Ltd. for taking over the business of both companies based on the following conditions:

- i) The valued worth of X Ltd. is agreed at Rs.20,00,000 and for purchase consideration, the equity shares of Rs.10 each are issued at a premium of Rs.6 per share.
- ii) The valued worth of Y Ltd is agreed at Rs.8,00,000 and for purchase consideration, the equity shares of Rs.10 each are issued at Rs.16 per share.
- iii) The newly formed company XY Ltd. is bearing liquidation expenses of Rs.8,000 and Rs.4,000 for X Ltd. and Y Ltd. respectively. You are required to pass journal entries only in the books of transferee companies (X Ltd.) and prepare required accounts for the same.

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