

# 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																																				
		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Liabilities</th> <th style="width: 12.5%;">Amount</th> <th style="width: 25%;">Assets</th> <th style="width: 12.5%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Share Capital (6000 shares of Rs. 100 each)</td> <td style="text-align: right;">6,00,000</td> <td>Goodwill</td> <td style="text-align: right;">1,70,000</td> </tr> <tr> <td>13% preference share ( Rs. 10 fully paid)</td> <td style="text-align: right;">2,00,000</td> <td>Plant and Machinery</td> <td style="text-align: right;">3,40,000</td> </tr> <tr> <td>General Reserve</td> <td style="text-align: right;">1,50,000</td> <td>Furniture &amp; fitting</td> <td style="text-align: right;">1,22,000</td> </tr> <tr> <td>P &amp; L A/c</td> <td style="text-align: right;">50,000</td> <td>Stock</td> <td style="text-align: right;">4,34,000</td> </tr> <tr> <td>Bills payable</td> <td style="text-align: right;">40,000</td> <td>Debtors</td> <td style="text-align: right;">1,36,000</td> </tr> <tr> <td>Sundry Creditors</td> <td style="text-align: right;">2,05,000</td> <td>Cash at bank</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td></td> <td></td> <td>Preliminary Exp.</td> <td style="text-align: right;">23,000</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>12,45,000</b></td> <td></td> <td style="text-align: right;"><b>12,45,000</b></td> </tr> </tbody> </table> <p>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</p>	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		<b>12,45,000</b>		<b>12,45,000</b>			
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	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																																				

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	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																																						
			<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="width: 25%;">XYZ Ltd</th> <th style="width: 25%;">ABC Ltd</th> </tr> </thead> <tbody> <tr> <td>Earnings after tax (EAT) Rs.</td> <td style="text-align: right;">15,00,000</td> <td style="text-align: right;">4,50,000</td> </tr> <tr> <td>Number of equity shares outstanding</td> <td style="text-align: right;">3,00,000</td> <td style="text-align: right;">75,000</td> </tr> <tr> <td>Market price per share (MPS) Rs.</td> <td style="text-align: right;">35</td> <td style="text-align: right;">40</td> </tr> </tbody> </table> <p>i) What is the exchange ratio bases on market price? ii) What is the pre-merger EPS &amp; 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?</p>		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																													
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Q.5	a.	What is Leveraged Buy Out (LBO)?	03	L1	CO1																																							
	b.	<p>The following is the balance sheet of ABC company as on 31<sup>st</sup> March, 2024</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Liabilities</th> <th style="width: 15%;">Amount</th> <th style="width: 30%;">Assets</th> <th style="width: 15%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Share Capital (20000 shares of Rs. 10 each)</td> <td style="text-align: right;">2,00,000</td> <td>Land &amp; Buildings</td> <td style="text-align: right;">1,20,000</td> </tr> <tr> <td>Debenture</td> <td style="text-align: right;">1,00,000</td> <td>Plant and Machinery</td> <td style="text-align: right;">1,50,000</td> </tr> <tr> <td>Creditors</td> <td style="text-align: right;">30,000</td> <td>Stock</td> <td style="text-align: right;">90,000</td> </tr> <tr> <td>Reserve fund</td> <td style="text-align: right;">25,000</td> <td>Furniture &amp; fitting</td> <td style="text-align: right;">2,500</td> </tr> <tr> <td>Workmen's compensation fund</td> <td style="text-align: right;">10,000</td> <td><b>Current Assets</b></td> <td></td> </tr> <tr> <td>Dividend Equalization fund</td> <td style="text-align: right;">10,000</td> <td>Debtors</td> <td style="text-align: right;">36,000</td> </tr> <tr> <td>P &amp; L Appropriation A/c</td> <td style="text-align: right;">5,100</td> <td>Cash at bank</td> <td style="text-align: right;">12,500</td> </tr> <tr> <td>Depreciation provision – L &amp; B</td> <td style="text-align: right;">20,000</td> <td>Cash in hand</td> <td style="text-align: right;">100</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>4,00,100</b></td> <td></td> <td style="text-align: right;"><b>4,00,100</b></td> </tr> </tbody> </table> <p>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.</p>	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	<b>Current Assets</b>		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		<b>4,00,100</b>		<b>4,00,100</b>	07	L2
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	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 Prospective limited is contemplating taking over the business of target limited. The summarized balance sheet of target limited as on 31<sup>st</sup> March was as follows. 20 L5 CO4

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

**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

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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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