UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination – May, 2017

Program/course: BBA FSM — **Semester – 4th**
Subject: Mergers Acquisition & Corporate Restructuring — **Max. Marks: 100**
Code: BBCG141 — **Duration: 3 Hours**
No. of page/s: 4

SECTION A

Q1: Select the most appropriate answer from the following: **Note – Attempt all questions carrying two marks each.** (20 Marks)

A. The complete absorption of one company by another, wherein the acquiring firm retains its identity and the acquired firm ceases to exist as a separate entity, is called a:

i. Merger. ii. Consolidation.

iii. Tender offer. iv. Spinoff.

B. A business deal in which all publicly owned stock in a firm is replaced with complete equity ownership by a private group is called a:

i. Tender offer. ii. Proxy contest.

iii. Going-private transaction. iv. Leveraged buyout

C. What is one reason why mergers and acquisitions often fail?

i. The costs involved are too high.

ii The companies involved have different attitudes to business.

iii. The merger or acquisition is not given a clear goal.

iv. Staff leave because they feel their jobs are not secure.

D. An agreement between firms to cooperate in pursuit of a joint goal is called a:

i. Consolidation. ii. Merged alliance.

iii. Joint venture. iv. Strategic alliance.

E. If Microsoft were to acquire U.S. Airways, the acquisition would be classified as a _____ acquisition.

i. Horizontal ii. Longitudinal

ii. Vertical. iv. Conglomerate.

F. The value of a target firm to the acquiring firm is equal to:

i. The value of the target firm as a separate entity plus the incremental value derived from the acquisition.

ii. The purchase cost of the target firm.

iii. The value of the merged firm minus the value of the target firm as a separate entity.

iv. The purchase cost plus the incremental value derived from the acquisition.

G. Takeovers can take which of the following forms?

I. Tender offer	II. Merger
III. Proxy contest	IV. Going private transaction
i. I and II only	ii. III and IV only
ii. II, III, and IV only	iv. I, II, III, and IV

H. Which type of acquisition does not require shareholders to have a formal vote to approve?

i. Merger	iii. Acquisition of Stock.
ii. Acquisition of all of the firm's assets.	iv. Consolidation

I. If Coca Cola acquired Pepsi, it would be an example of a:

i. Horizontal merger	iii. Vertical merger
ii. Cross-border merger	iv. Both a and b

J. What is the most important fundamental reason for an acquiring company to acquire a target company?

i. To acquire strategic options	iii. To gain economies of scale
ii. To maximize acquiring firm value	iv. To entrench management

SECTION B

Q2: **Attempt following questions: (5 marks each)** **(4 x 5 =20 Marks)**

(a) Distinguish mergers from acquisitions.

(b) What is meant by 'synergy' of a merger?

(c) Discuss the discounted cash flow method of Valuation.

(d) What are the reasons for failure of mergers?

SECTION C

Attempt any three questions: **(3 x 10 = 30 marks)**

Q3: "Restructuring is just not a strategic plan" Explain the need and scope of Corporate restructuring as Business Strategy.

Q4: Discuss the provisions related to Accounting as per Accounting Standard 14.

Q5:'Financing of mergers and acquisitions is a crucial exercise requiring utmost care'. Elaborate.

Q6: Enumerate the main objectives which companies seek to attain, from mergers.

SECTION D

Attempt any two questions: **(2 x 15 = 30 marks)**

Q7: X Ltd. is investigating the acquisition of Y Ltd. Y Ltd.'s balance sheet is given below :

Y Ltd: Balance Sheet (` in crore)

10% Cumulative preference shares	100
Ordinary share capital (30 crore shares @ ` 10 per share)	300
Reserves & Surplus	150
14% Debentures	80
Current Liabilities	100
Total	**730**
Net fixed assets	275
Investments	50
Current assets	
Stock	190
Book debts	150
Cash & Bank	65
Total	**730**

X Ltd. proposed to offer the following to Y Ltd.

(a) 10% cumulative preference shares of ` 100 crore in X Ltd. for paying 10% cumulative preference capital of Y Ltd.

(b) 12% convertible debentures of ` 84 crore in X Ltd. to redeem 14% debentures of Y Ltd.

(c) One ordinary share of X Ltd. for every three shares held by Y Ltd.' s shareholders, the market price being ` 42 for X Ltd.' s shares and ` 20 for Y Ltd.'s shares.

After acquisition, X Ltd. is expected to dispose of Y Ltd.'s stock for ` 150 crore, book debts for ` 102 crore and investments for `55 crore. It would pay entire current liabilities. What is the cost of acquisition to X Ltd.?

Or

The following information is provided related to the acquiring company and target company T Ltd

	A Ltd.	T Ltd.
Earning after Tax (Rs in Lakhs)	1,000	200
Equity Shares outstanding (in Lakhs)	100	50

EPS	Rs. 10	Rs. 4
Price Earning Ratio	10 times	5 times

i) What is swap ratio based on current market price?

ii) What is EPS of A Ltd. after acquisition?

iii) What is the expected Market price per share of A Ltd. after acquisition assuming its Price Earning multiple remains unchanged?

Q8: “In spite of the huge volume of activity in the cross-border M&A marketplace, an inescapable fact emerges when these deals are examined more closely – the majority of cross border M&As are not successful”. Discuss the opportunities and challenges regarding Cross Border Mergers and Acquisitions.