

Name:
Enrolment No:



UNIVERSITY WITH A PURPOSE

UNIVERSITY OF PETROLEUM & ENERGY STUDIES

End Semester Examination (Online) – December, 2020

Program: BCom (Hons), Taxations, BMI
Subject/Course: Mergers and Corporate Restructuring
Course Code: FINC3015

Semester: V
Max. Marks: 100
Duration: 3 Hours

Section A

1. Each question carries 5 marks.
2. Instructions- Select the correct answers.

S No	Question	CO
Q1	Which of the following is the acquisition that helps to compensate for some weakness of the acquiring firm A) Vertical merger B) Horizontal merger C) Complementary fit D) Supplementary fit	CO1
Q2	Which of the following is used to calculate gains from mergers. A) $PV(A*B) - [PV(A) + PV(B)]$ B) $PV(A+B) - [PV(A) + PV(B)]$ C) $PV(A-B) - [PV(A) + PV(B)]$ D) $PV(A+B) - [PV(A) * PV(B)]$	CO1
Q3	Leveraged Buyouts focus on equity issuance to take a public company private A) True B) False	CO1
Q4	The following is an opinion issued by a firm on the value of the company being acquired E) Premium opinions F) Event study opinions G) Fairness Opinions H) Commercial due diligence opinion	CO1
Q5	Select the project evaluation technique(s) A) NPV B) IRR C) Event study D) A&B	CO2
Q6	Being able to offer wider range of services or products to same customers is called. A. Economies of Scale B. Economies of Scope	CO2

	C. A & B D. None of above	
Section B		
1. Each question carries 10 marks. 2. Instructions: Write short answers.		
Q7	Explain Motives and Determinants of Mergers.	CO2
Q8	How is the Unlevered Net Income Calculation for the target firm by the acquirer firm.	CO2
Q9	Explain divestitures, equity carve out, Spin-off, and Split-off in context of M&A.	CO3
Q10	ABC Inc is forecasting that their sales will increase by \$250,000 next year, \$275,000 the following year, and \$300,000 in the third year. The company estimates that additional cash requirements will be 5% of the change in sales, inventory will increase by 7% of the change in sales, receivables will increase by 10% of the change in sales, and payables will increase by 8% of the increase in sales. Forecast the increase in net working capital for the firm over the next three years.	CO3
Q11	Doon Ltd just paid a dividend of \$3.00 per share. You expect the stock price will \$128.50 and the dividend to be 5% higher by the end of the year. Investments with equivalent risk have an expected return of 10%. Based on the Dividend-Discount Model, what would pay today for the firm?	CO4
Section C		
1. Each question carries 20 marks. 2. Show all the steps in calculating the required values until four decimal places.		
Q12	<p>At the end of 2016, Newerks Inc. forecasts that its free cash flow will be \$80 million in 2017, \$90 million in 2018, and \$97 million in 2019. After 2019, Newerks expects its free cash flow earnings to grow at an annual rate of 5%. Newerks has \$65 million in debt and \$20 million in cash. If Newerks has 3 million shares outstanding and a cost of capital of 10%, what is Newerks stock price at the end of 2016?</p> <p style="text-align: center;">OR</p> <p>Best Buy Co. Inc. (BBY) has EBITDA of \$2,131,000 and 31 million shares outstanding. Best Buy also has \$1,714,000 in debt and \$509,000 in cash. If Best Buy has an enterprise value to EBITDA multiple of 6.3, estimate the value for a share of Best Buy stock.</p>	CO4