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08MBAFM323

Third Semester MBA. Degree Examination, December 2010
Mergers, Acquisitions and Corporate Restructuring

Time: 3 hrs.

Max. Marks:100

Note: 1. Answer any FOUR full questions, from Q.No. 1 to 7.
2. Question No. 8 is compulsory.

- 1
 - a. What are spin offs? (03 Marks)
 - b. What do you mean by ESOP? What are its benefits? (07 Marks)
 - c. Explain the theories of mergers. (10 Marks)
- 2
 - a. What is MLP? (03 Marks)
 - b. What is synergy and what are the synergies that can arise through a merger? (07 Marks)
 - c. Briefly explain the different forms of corporate restructuring. (10 Marks)
- 3
 - a. What is due diligence? (03 Marks)
 - b. Explain the fine stage model in mergers. (07 Marks)
 - c. Explain the salient features of SEBI takeover code. (10 Marks)
- 4
 - a. What do you mean by tender offer? (03 Marks)
 - b. Discuss the motives behind mergers and acquisitions. (07 Marks)
 - c. Explain various preventive antitakeover defense measures, undertaken by firms in case of a hostile takeover. (10 Marks)
- 5
 - a. What is an IPO? (03 Marks)
 - b. Explain the BCG matrix in the context of mergers. (07 Marks)
 - c. Roshan Ltd., wants to acquire Neha Ltd., by exchanging 0.5 of its shares, for each share of Neha Ltd. The relevant financial data are as follows :

	Roshan Ltd	Neha Ltd
Earnings after tax	36,00,000	7,20,000
Equity shares outstanding	12,00,000	3,60,000
Earnings per share	Rs 3	Rs 2
P/E ratio	10	7
Market price / share	Rs 30	Rs 14

- i) What is the number of equity shares required to be issued by Roshan Ltd for acquisition of Neha Ltd?
 - ii) What is the EPS of Roshan Ltd., after the acquisition?
 - iii) Determine the equivalent earnings per share of Neha Ltd.
 - iv) What is the expected market price per share of Roshan Ltd., after acquisition assuming the P/E remains unchanged? (10 Marks)
- 6
 - a. What do you mean by reverse merger? (03 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.

b. The figure is the balance sheet of A Ltd.

(07 Marks)

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Share capital (6000 shares of Rs 100 each fully paid)	6,00,000	Goodwill	70,000
General reserves	2,50,000	Plant & Machinery	4,60,000
P/ L appropriation A/c	80,000	Furniture and Fittings	1,02,000
Bills payable	70,000	Stock	4,36,000
Sundry creditors	2,45,000	Debtors	1,34,000
		Cash at Bank	23,000
		Priliminary expenses	20,000
	12,45,000		12,45,000

Suppose :

- B Ltd., purchases the business of A Ltd.
- Goodwill is valued at Rs 2,00,000, while the stock is valued at Rs 4,16,000 and other assets are considered worth their book value.
- B Ltd., does not takeover cash at bank.
- Consideration is to be charged in the form of 90,000 equity shares at Rs 10 each, valued at par and the balance in cash. Calculate the purchase consideration.

c. Explain the human issues during integration.

(10 Marks)

7 a. What are the different kinds of takeover?

(03 Marks)

b. Write a note on the following : i) LBO ii) Green mail iii) Equity carve out.

(07 Marks)

c. Explain the steps involved in the valuation of a merger, under discounted cash flow technique.

(10 Marks)

8 On 31/3/2009 the balance sheet of X Ltd, stood as follows :

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Share capital (1,50,000 equity shares of Rs 10 each fully paid)	15,00,000	Plant & Machinery	16,10,000
Securities premium	1,50,000	Furniture & Fixtures	1,94,000
General reserves	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 data, 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 on the date of the amalgamation was as follows :

Liabilities	Amt (Rs)	Assets	Amt (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 project reserve (statutory reserves)	9,700	Stock	3,15,800
General reserve	75,350	Debtors	1,29,300
P & L A/c	24,130	Cash at bank	68,200
3000, 11% debentures of Rs 100 each	3,00,000	Preliminary expenses	6,100
Creditors	1,82,400		
	13,04,660		13,04,660

You are required to

Pass journal entries in the books of X Ltd., and draw 'X' Ltd's balance sheet immediately after the takeover. Assuming a) The amalgamation is in the nature of merger b) The amalgamation is in the nature of purchase.

(20 Marks)
