

CBCS SCHEME

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16MBAFM401

Fourth Semester MBA Degree Examination, June/July 2018 Mergers, Acquisitions and Corporate Restructuring

Time: 3 hrs.

Max. Marks:80

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

- 1 a. What is Goodwill? (02 Marks)
b. What is Purchase consideration? What are the different methods of calculation of purchase considerations? Discuss. (06 Marks)
c. What is MLP? Explain different methods of MLP. (08 Marks)
- 2 a. What is Going concern value? (02 Marks)
b. Explain the various reasons for corporate restructuring. (06 Marks)
c. Briefly explain the Internal and External change forces contributing to Mergers and Acquisition. (08 Marks)
- 3 a. What is collusion? (02 Marks)
b. Explain the different types of Mergers. (06 Marks)
c. Briefly explain the essential elements for strategic planning processes in mergers and acquisitions. (08 Marks)
- 4 a. Define the term Divestiture. (02 Marks)
b. Discuss various methods of financial restructuring. (06 Marks)
c. Explain the various reasons for the failures of mergers. (08 Marks)
- 5 a. What is Exchange offer? (02 Marks)
b. Explain the role of Industry life cycle in merger. (06 Marks)
c. Explain the various preventive anti-takeover defense measures undertaken by firm in case of hostile takeover. (08 Marks)
- 6 a. Define liquidation. (02 Marks)
b. What is demerger? What are the reasons for demerger? (06 Marks)
c. What are the tax benefits available for mergers and acquisition? (08 Marks)
- 7 a. What is Sell-off and Spin-off? (02 Marks)
b. Briefly explain the SEBI takeover code. (06 Marks)
c. What is due diligence? Explain the process of due diligence. (08 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.

8 Case Study (Compulsory):

The following is the Balance sheet of Spares Ltd. on 31st December 2017.

Liabilities	Rs.	Assets	Rs.
Capital:		Land & Building	1,00,000
20,000 Shares of Rs.10 each	2,00,000	Plant & Machinery	1,50,000
Debentures	1,00,000	Work in progress	30,000
Sundry creditors	30,000	Stock	60,000
Reserve Fund	25,000	Furniture & Fittings	2,500
Dividend Equalization Fund	20,000	Sundry Debtors	25,000
Profit and Loss		Cash at Bank	12,500
Appropriation A/c.	5,100	Cash in hand	100
	3,80,100		3,80,100

The company is absorbed by Auto Ltd. on the above date. The consideration for the absorption is the discharge of the debentures at a premium of 5%, taking over the liability in respect of the sundry creditors and a payment of Rs.7 in cash and one share of Rs. 5 in Auto Ltd. at the market value of Rs. 8 per share in exchange for one share in Spares Ltd. The cost of liquidation of Rs. 5,000 is to be met by the purchasing company.

Pass journal entries in the books of both the companies assuming that the amalgamation is in nature of purchase. (16 Marks)

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