

GUJARAT TECHNOLOGICAL UNIVERSITY**MBA - SEMESTER– IV EXAMINATION – WINTER 2019****Subject Code: 2840201****Date: 30-11-2019****Subject Name: Mergers & Acquisition****Time: 2.30 PM to 5.30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 Which of the following restructuring activities does not result in an expansion of a firm? **06**
(a)

1. A. Joint Ventures B. Mergers
- C. Divestitures D. Acquisitions
2. Which of the following activities does not involve a change in the ownership structure?
 - A. Share Repurchase B. Going Private
 - C. Leveraged Buyout D. Proxy Contest
3. Which of the following is referred to as “a going private transaction” initiated by incumbent management?
 - A. Management Buyout B. Leveraged Cash out
 - C. Management Buy-in D. Leveraged Recapitalization
4. A transaction which forms one economic unit from two or more previous units is called
 - A. Joint Venture B. Merger
 - C. Corporate Control D. Divestiture
5. Firm X plans to sell off a part of the firm via an equity offering to outsiders. Which of the following means shall be applied by the company for executing its plan?
 - A. Equity Carve-out B. Spin-off
 - C. Split-Up D. Divestiture
6. Changes in the company byelaws to make the acquisition of a company more difficult or more expensive are referred to as
 - A. Takeover B. Anti-takeover Amendments
 - C. Corporate Control D. Proxy Contests

- Q.1 (b)** 1) Book Value
 2) Spin-off
 3) Parachute
 4) Takeover

04

Q.1 (c) Write a note on Joint Venture 04

Q.2 (a) What is Corporate restructuring? What are the different motives of restructuring? 07

(b) Discuss the provisions related to Mergers and Acquisition given in Income Tax Act, 1961. 07

OR

(b) Briefly discuss the important provisions of SEBI guidelines related with Share Buyback for Indian companies. 07

Q.3 (a) What are the advantages & disadvantages of ESOP? 07

(b) “Mergers create benefits of economies of scale and synergy” discuss this statement? 07

OR

Q.3 (a) Discuss reasons and types of Strategic Alliance? 07

(b) Discuss provision related to the powers of court in India with respect to approval of the scheme of amalgamation in companies act. ? 07

Q.4 (a) Define Due Diligence and describe the types and challenges faced in India. 07

(b) Discuss the reasons for failure of Mergers 07

OR

Q.4 (a) Explain Methods of Payment Consideration in Deal Structuring of M&As. 07

(b) Describe various anti-takeover strategies used by Indian companies to protect themselves from undesirable takeover. 07

Q.5 Eagle Ltd reported a profit of 77 lakhs Rs after 30% tax for the financial year 2017-18. An analysis of the accounts revealed that the income included extraordinary items of 8 lakhs Rs and an extraordinary loss of Rs 10 lakhs. The existing operations, except for the extraordinary items, are expected to continue in the future. In addition, the results of the launch of new product are expected to be as follows: 14

Particulars	Rs in Lakhs
Sales	70
Material Cost	20
Labour Cost	12
Fixed Cost	10

You are required to:

- 1) Calculate the value of the business, given that the capitalization rate is 14%
- 2) Determine the market price per equity share, with Eagle Ltd's share being comprised of 1,00,000, 13% preference shares of Rs 100 each and 50,00,000 equity shares of Rs 10 each and the P/E ratio being 10 times

OR

Q.5

MK Ltd is considering acquiring NN Ltd. The following information is available:

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Company	Earnings after Tax (Rs)	No of Equity Share	Market Value Per Share (Rs)
MK Ltd	60,00,000	12,00,000	200
NN Ltd	18,00,000	3,00,000	160

Exchange of equity shares for acquisition is based on current market value as above. There is no synergy advantage available.

- 1) Find the earning per share for the company MK Ltd after merger, and
- 2) Find the exchange ratio so that shareholders of NN Ltd would not be at a loss.
