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P.E.S. College of Engineering, Mandya - 571 401

(An Autonomous Institution affiliated to VTU, Belagavi)

Third Semester, Master of Business Administration (MBA)

Semester End Examination; Dec. - 2019

Mergers Acquisition and Corporate Restructuring

Time: 3 hrs *Max. Marks: 100*

***Note**: Answer all **FOUR** full questions from **PART-A** and **PART-B** (Case Study) is compulsory.*

PART - A

1 a. What is merger? Give the reasons and benefits of mergers. 10

b. How can a firm create value in Horizontal merger? 10

OR

2 a. Explain the BCG growth share matrix. 10

b. Explain Industry Life cycle and How does its analysis help in mergers and acquisition? 10

3 a. What are KSOPs? Elucidate its uses and disadvantages. 10

b. What is meant by LBO? Explain in detail the method of financing LBO. 10

OR

4 a. Explain the various Hostile Takeover Approach or defenses. 10

b. What are the difference between friendly takeover and Hostile takeover? Give suitable example. 10

5 a. Explain in detail the merger process by DEAL flow model. 10

b. Explain how due diligence will improve the efficiency and effectiveness of the integration process. 10

OR

6 a. What are organizational aspects to be considered in mergers and acquisition? 10

b. Explain the concept of due diligence. 10

7 a. Mona Ltd is planning to acquire Sona Ltd. Provided there is synergy in the acquisition. The following information is given:

	Mona Ltd	Sona Ltd
Market price for share	Rs. 60	Rs. 20
Number of shares	6,00,000	2,00,000
Market value of the firm	Rs. 360 lakhs	Rs. 40 lakhs

The market price per share of Sona has increased by Rs. 4 because of rumors that Sona has increased Sona might get Rs. 4 because of rumours that Sona might get favorable merger offer. Firm Mona assumes that by combing the two firms will save in costs by Rs. 20 lakhs. Firm Mona has two options: 10

i) Pay Rs. 70 lakhs cash for firm Sona

ii) Offer 1,25,000 shares instead of Rs. 70 lakh to the shareholders of Sona Ltd.

Calculate;

i) The cost of cash offer if Sona's market price reflects only its value as a separate entity.

ii) Cost of cash offer if Sona's market reflects the value of the merger announcement.

iii)Apparent cost of the stock offer

iv) True cost of the stock offer

b. What are the reasons for cash deal in merger financing? What are the other modes of payment? 10

OR

8 a. Explain the different methods of Accounting for Amalgamation. Give the differences between the two methods. 10

b. A Ltd and B Ltd amalgamated on and from 31st March 2019. A New company C Ltd was formed to take over the business of the existing companies.

Balance sheet as on 31.03.2019 (Extract)

Liability	A Ltd.	B Ltd	Assets	A Ltd.	B Ltd.
Equity shares @ Rs.100 each	60,000	70,000	Sundry fixed Assets	85,000	75,000
General Reserve	15,000	20,000	Investments	10,500	5500
P & L Account	10,000	5,000	Stock	12,500	27,500
Investment allowance Reserve	5000	1000	Debtors	18,000	40,000
Export Profit Reserve	500	1000	Cash and Bank	4,500	4,000
12% Debentures	30,000	40,000			
Sundry Creditors	10,000	15,000			
	1,30,500	1,52,000		1,30,500	1,52,000

10

C Ltd issued requisite number of equity shares to discharge the claims of the equity share holders of the transferor companies. The total shares issued as considerations are to be aggregate of paid up capital of A Ltd and B Ltd.

Compute the purchase consideration and mode of discharge thereof and draft the Balance sheet of C Ltd. After amalgamation on the following assumptions.

i) Amalgamation in the nature of MERGER

PART - B (Case study – Compulsory)

9. In life, most of us merge families through marriage and acquire assets through purchases. One might have spent many days, weeks, or months planning to ensure that the decision would produce sufficient values for our lives. Yet one may discover in the future that not all mergers are successful and not all acquired assets demonstrate their value. This is quite identical to the situation of business mergers and Acquisitions.

In a simple language, a merger is a combination of two or more entities from which one corporation continues to exist. An example of a merger is Daimler chrysles a merger between Daimler – Benz and Chryslers.

An acquisition or takeover involves a purchase of an entity which continues to function in future, but it does so under the control of the acquirer.

Company's acquiring of Digital Equipment corporation is an excellent example of acquisition. Mergers tend to occur an friendly terms while acquisitions are based on either friendly or hostile situations. A merger or acquisition may result in a horizontal integration or vertical integration and may comprise firms in a related industry or unrelated industries. All M & As aim at Creating "Value" for the share holders.

a) What do you mean by "Value Creation"?

b) How can manager create value for the shareholders of the company? 20

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