



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; Jan. / Feb. - 2021

Mergers, Acquisitions 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.

Q. No.	Questions PART - A	Marks
1 a.	What factors have heightened the pace of Mergers and Acquisitions globally?	10
b.	Define Vertical Merger and give their Rationale.	10
OR		
2 a.	Discuss the Boston Consulting Group's approaches to Mergers and Acquisitions.	10
b.	What is the rationale behind a joint venture? Discuss the reasons for failure of joint venture.	10
3 a.	Why divestitures create value?	10
b.	Discuss the various defective tactics adopted to defend itself from hostile takeover.	10
OR		
4 a.	Explain the various steps involved in Acquisitions.	10
b.	Discuss the various types of Mergers.	10
5 a.	Explain the approaches for valuation in case of Mergers and Acquisitions.	10
b.	What is Synergy? Discuss the various types of Synergies.	10
OR		
6 a.	Discuss the two main methods of accounting for amalgamations.	10
b.	What are the important types of intangible assets? How are they valued?	10
7.	The Profit and Loss account and balance sheet of Zenith corporation for two years (year 1, year 2) are given below;	

Profit and Loss Account in million		
Year	1	2
Net sales	5,600	6,440
Income from marketable securities	140	210
Non-operating income	70	140
Total Income	5,810	6,790
Cost of goods sold	3,220	3,780
Selling and administrative expenses	700	770
Depreciation	350	420
Interest expenses	336	392
Total costs and expenses	4,606	5,362
PBT	1,204	1,428
Tax Provision	364	448
PAT	840	980
Dividend	420	560
Retained Earnings	420	420
Balance Sheet		
Equity Capital	2,100	2,100
Reserves and Surplus	1,680	2,100
Debt	2,520	2,940
	6,300	7,140
Fixed Assets	4,200	4,550
Investments	1,260	1,400
Net current Assets	840	1,190
	6,300	7,140

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Assume tax rate of 40 percent;

- i) What is EBIT for year 2?
- ii) What is the tax on EBIT for year 2?
- iii) What is the NOPLAT for year 2?
- iv) What is the Free Cash Flow to the Firm (FCFF) for year 2?
- v) Give the breakup of the financing flow for year

OR

8. A Ltd. agreed to take over B Ltd. as on 1st October, 2014. No balance sheet of B was prepared on that date. Summarized balance sheets of A and B as at 31st March, 2014 were as follows:

	A	B		A	B
Share capital Equity shares of ` 10 each fully paid up	15,00,000	10,00,000	Fixed Assets	12,50,000	8,75,000
Reserves and Surplus			Current Assets		
Reserve	4,15,000	2,56,000	Inventory	2,37,500	1,87,500
Profit and Loss	1,62,500	1,37,500	Trade Receivable	3,90,000	2,56,000
Trade Payables	93,750	75,000	Bank	2,93,750	1,50,000
	21,71,250	14,68,500		21,71,250	14,68,500

Additional Information available:

- i) For the six months period from 1st April, 2014, A made a profit of ` 4,20,000 after writing off depreciation at 10% per annum of its fixed asset.
- ii) For the same period, B made a net profit of ` 2,04,000 after writing off depreciation at 10% p.a. on its fixed assets.
- iii) Both the companies paid on 1st August, 2014, equity dividends of 15%. Tax at 10% on such payments was also paid by each of them.
- iv) Goodwill of B was valued at ` 1,20,000 on the date of take-over, inventory of B, subject to an abnormal item of ` 7,500 to be fully written off would be appreciated by 25% for the purpose of takeover.
- v) A to issue to B's shareholders fully paid equity shares of ` 10 each. On the basis of the comparative intrinsic values of the shares on the take-over.

Daft the balances Sheet of A after absorption of B. All workings are to form part of your answer.

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Contd...3

PART - B (Case Study Compulsory)

9. Mahindra and Mahindra (M and M) is a major player of the tractor and certain segment of the Automobile marketing in India. After an impressive growth for a few years, the tractor market in India has been stagnating during 1998 – 1999 to 2000 – 2001.

M and M has been selling its tractor and utility vehicles in foreign markets including USA. Some of the components for its products have been sourced from abroad. M and M has a 100% subsidiary in USA, Mahindra USA with a strong network of 100 dealers. Mahindra has a 5% market share in US market in the 28 - 30 HP range vehicles.

As part of the strategy aimed at building a global supply chain, Mahindra USA has signed an MOU with the Korean tractor major Tong Yang, a part of the \$2 bn Tong Yang moolsam group, according to which Mahindra will source high horse power (25 – 40 HP) and sell them under the M and M brand name around the world, particularly in USA.

M and M current tractor range is more utility oriented and lacks the aesthetic appeal that Tong Yang's tractors have, a must for a strong presence in the US Market.

Questions:

- | | |
|---|---|
| a. What are the advantages and disadvantages of global sourcing? | 5 |
| b. How will the foreign market expansion help M and M? | 5 |
| c. How does the strategic alliance with Tong Yang benefit M and M? | 5 |
| d. What are the possible risks of the alliance? How can they be overcome? | 5 |

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