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

(An Autonomous Institution affiliated to VTU, Belgaum)

Third Semester, Master of Business Administration (MBA)

Semester End Examination; Dec - 2016/Jan - 2017

Mergers Acquisitions and Corporate Restructuring

Time: 3 hrs *Max. Marks: 100*

***Note**: i) Answer all **FOUR** full questions from **PART - A** and **PART - B** (Case study) is compulsory.*
ii) PV, FV tables shall be allowed, scientific calculators shall be allowed.

PART - A

1 a. How do you define a 'merger'? Discuss the different types of mergers with suitable examples. 10

b. What are conglomerate mergers? Distinguish between various conglomerate mergers. 10

OR

2 a. Discuss the rationale behind mergers and acquisitions. 10

b. 'Along with the investment banker, the financial institutions have also prospered with the catching up of mergers and acquisitions.' 10
What factors must a financial institution consider while financing mergers and acquisitions?

3 a. How do you define a joint venture? Why do they exist? Discuss some of the reasons for abortive lives of joint ventures. 10

b. What is LBO? Discuss the various elements in an LBO operation. 10

OR

4 a. The Boston consulting Group approach identifies three main concepts. Discuss the implications and limitations of the three concepts. 10

b. Auction is considered to be one of the transparent methods of divestiture discuss. 10

5 a. Explain Porter's Five Force model with respect to mergers and acquisitions. 10

b. "Aligning the process can maximize the knowledge obtained during due diligence and improve the efficiency and effectiveness of the integration process." Explain. 10

OR

6 a. Compare and contrast Merger versus Internal Growth. 10

b. Discuss in detail, the steps involved in the merger process. 10

7 a. The relevant financial details of two firms, just prior to a merger announcement are as follows: 10

	Day Ltd.	Night Ltd.
Market Price per Share	` 65	` 30
No. of shares	8,00,000	5,00,000
Market value of the firm	` 5,20,00,000	` 1,50,00,000

The merger is expected to bring gains which have a present value of ` 1,20,00,000. Day Ltd. Offers 2,46,000 shares in exchange for 5,00,000 shares to the share holder of firm Night Ltd.

Assuming that the market values of the two firms just before the merger announcement are equal to their present values as separate entities. Calculate the NPV to Day Ltd. and Night Ltd. respectively.

b. Briefly describe the methods of accounting for amalgamation. 10

OR

8 a. What do you mean by amalgamation in the light of AS14? What are the two types of amalgamation? Describe the conditions which must be fulfilled for an amalgamation in the nature 10

b. Star limited wants to acquire moon limited. The balance sheet of Moon Ltd. as on 31st December 2010 has the following information,

Liabilities	Amount (`)	Assets	Amount (`)
Equity share capital (50,000 shares of 10 each)	5,00,000	Cash	60,000
Retained earnings	2,00,000	Debtors	70,000
10% Debentures	2,00,000	Inventories	1,20,000
Creditors & other Liabilities	2,50,000	Plant and Equipment	9,00,000
	11,50,000		11,50,000

Additional Information: 10

i) The share holders of Moon Ltd. will get 2 shares in star Ltd. for every 5 shares. The shares of start limited will be issued at its current price of ` 25 per share. Debenture holders will get 12% convertible debentures in the purchase firm for the same amount. The external liabilities are expected to be settle at ` 2,00,000. Further, it is estimated that debtors and inventories expected to realize ` 1,50,000.

ii) It is expected that the cash inflows after taxes from the new machine will be ` 3,00,000 per year for the next 6 years of useful life of the machine the expected salvage value of the plant at the end of its useful life is ` 1,00,000

iii) The firm's cost of capital is 12%.

Advice the company regarding the financial feasibility of the acquisition.

PART - B (Compulsory)

9. **Case Study:**

Sometimes back LM Ericson and Sony Corporation announced to form their 50:50 joint venture company, Sony Ericson Mobile communications in India. The new firm will be marketing/ promoting the existing range of Ericson and Sony Mobile handsets under a common brand name.

Globally, Sony Ericson had announced the beginning of its joint operations on October, 2001. Sony and Ericson had signed an agreement to set-up Sony Ericson on August 2001. On September of the same year, the two companies announced that their respective boards have permitted the mobile phone joint venture.

Since Sony has no direct presence in India, the new entity will be primarily be managed by the team which was shouldering the task of marketing Ericson's mobile phones in the country. Sony saw good opportunity in joining the venture, as Ericson will come forward with its communication infrastructure, the communication networks, wireless technology and R & D.

Following the roll out of Sony Ericson in India, the company also announced the launch of T68, the first full-screen display GPRS mobile phone in the country. This will be followed by the launch of two new mobile phones the T65 and T66, over the coming few months other than Ericsson brand. However, the first Sony Ericsson branded handset will be introduced in the country in the second quarter of 2002.

Analyse the case and answer the following questions each carries 10 marks.

i) What do you mean by "Joint venture"? Highlight the various characteristics of a Joint venture. 20

ii) What are the various reasons that encouraged Sony to go for a joint venture with Ericson?

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