



# MANGALORE INSTITUTE OF TECHNOLOGY & ENGINEERING

(A Unit of Rajalaxmi Education Trust®, Mangalore)

Autonomous Institute affiliated to VTU, Belagavi, Approved by AICTE, New Delhi

Accredited by NAAC with A+ Grade & ISO 9001:2015 Certified Institution

## Model Question Paper

### Fourth Semester MBA Degree Examination

### Mergers, Acquisition and Corporate Restructuring

Time: 3 Hours

Max. Marks: 100

*Note: 1. Answer any FOUR full questions from Q1 to Q7.*

*2. Question No. 8 is compulsory.*

*3. M: Marks, L: RBT (Revised Bloom's Taxonomy) level, C: Course outcomes.*

			M	L	C															
Q1	a.	Differentiate pooling of interest method and the purchase method of accounting in mergers.	03	L2	CO1															
	b.	A large Indian FMCG company merges with a small herbal cosmetic brand. Identify the merger motives and discuss how value creation could happen through operational synergy.	07	L2	CO1															
	c.	ABC Ltd is acquired by XYZ ltd on the share exchange basis their details are as follows	10	L4	CO5															
	<table><tr><td>Particulars</td><td>XYZ LTD</td><td>ABC LTD</td></tr><tr><td>PAT (Rs. in lakhs)</td><td>56</td><td>21</td></tr><tr><td>No. of shares ( Rs. in lakhs)</td><td>10</td><td>8.4</td></tr><tr><td>EPS(Rs.)</td><td>5.6</td><td>2.5</td></tr><tr><td>P/E ratio</td><td>12.5</td><td>7.5</td></tr></table>		Particulars	XYZ LTD	ABC LTD	PAT (Rs. in lakhs)	56	21	No. of shares ( Rs. in lakhs)	10	8.4	EPS(Rs.)	5.6	2.5	P/E ratio	12.5	7.5			
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Analyse Premerger market value per share and Maximum exchange ratio XYZ should offer without the dilution of i) EPS, ii) Market Value per share																				
Q2	a.	Explain hostile takeover with a recent Indian example	03	L2	CO1															
	b.	In 2006, Google acquired YouTube for \$1.65 billion to enter and dominate the online video-sharing market. Identify type of acquisition, and explain possible advantages and risks it can bring	07	L3	CO3															
	c.	A FinTech firm acquires a traditional banking company. Identify the post-acquisition integration process, focusing on organizational restructuring and human resource alignment. Highlight challenges and success factors during integration	10	L3	CO3															
Q3	a.	A pharma company is being targeted for takeover. Outline three anti-takeover strategies it can adopt to protect itself.	03	L2	CO1															
	b.	In 2018, the Indian government and regulatory bodies reviewed Walmart’s \$16 billion acquisition of Flipkart to ensure it complied with the Competition Act, 2002. At the same time, Flipkart’s board implemented certain measures to prevent any hostile takeover attempt during negotiations. Based on this case, explain how the Competition Act, 2002 regulates mergers and acquisitions in India	07	L3	CO4															
	c.	A company is planning to merge with another firm. The management wants to find the value of the target company by calculating the total value of its assets and subtracting its liabilities. Identify which business valuation approach are they using, and how is it different from the methods that use market prices or future earnings to find value	10	L3	CO2															
Q4	a.	Explain cross-border mergers and acquisitions.	03	L2	CO1															
	b.	In 2002, Glaxo Wellcome and SmithKline Beecham merged to form GlaxoSmithKline, and both the original companies ceased to exist. In another case, Tata Steel took over	07	L3	CO2															

		Corus Group in 2007, and only Tata Steel continued to operate. Identify what types of amalgamations do these two cases represents.																																							
	c.	A global tech firm is entering India through a cross-border merger. Apply legal, financial, and strategic issues it must address.	10	L3	CO4																																				
	a.	Outline the types of acquisition/takeovers	03	L2	CO1																																				
	b.	A telecom company merges with a digital entertainment company. Identify marketing and revenue synergies can be generated from this deal.	07	L2	CO3																																				
Q5	c.	HDFC Bank successfully merged with HDFC Ltd., creating a stronger financial group with better services and market reach. In contrast, Kingfisher Airlines’ attempted merger with Air Deccan failed due to financial difficulties and poor management, eventually leading to Kingfisher’s shutdown.Explain the reasons why the HDFC merger succeeded while the Kingfisher-Air Deccan merger failed.	10	L2	CO1																																				
	a.	State the benefits of asset-based valuation approach	03	L2	CO1																																				
	b.	A parent company creates a subsidiary and sells its shares to the public while retaining control. Identify the form of restructuring (Equity Carve Out) and explain its benefits with an example.	07	L3	CO4																																				
Q6	c.	Company A merged with Company B based on expectations of synergy, but the merger underperformed. Apply different theories of mergers and suggest where the strategic mismatch might have occurred.	10	L3	CO2																																				
	a.	Outline the types of amalgamation	03	L2	CO1																																				
	b.	A major online marketplace separated its payment division into a standalone company in 2019 to enable both businesses to focus on their core strengths and unlock greater value for shareholders. Identify type of corporate restructuring strategy and justify how this strategy can benefit the parent company and its shareholders.	07	L3	CO4																																				
	c.	ABC firm is considering to takeover of firm XYZ. Financial details are given below <table><tr><td>Equity and liabilities</td><td>ABC Ltd(Rs in lakhs)</td><td>XYZ Ltd (Rs in lakhs)</td></tr><tr><td>Equity Share Capital (Share of Rs.10 each)</td><td>100</td><td>25</td></tr><tr><td>Preference Share</td><td>27</td><td>nil</td></tr><tr><td>Share Premium</td><td>nil</td><td>2</td></tr><tr><td>P&amp;L Account</td><td>40</td><td>5</td></tr><tr><td>10% debenture</td><td>20</td><td>6</td></tr><tr><td>Total</td><td>185</td><td>38</td></tr><tr><td>Assets</td><td></td><td></td></tr><tr><td>Fixed Assets</td><td>140</td><td>25</td></tr><tr><td>Current Assets</td><td>45</td><td>13</td></tr><tr><td>Total</td><td>185</td><td>38</td></tr><tr><td>Profit after tax and preference dividend</td><td>25</td><td>10</td></tr></table> Market price of firm ABC and XYZ are Rs.25 and Rs.40 respectively. Analyse the share exchange ratio and number of share firm ABC to be issued on the based on 1. Net Asset Value 2. EPS 3. Market Price Which is better from the point of view of firm ABC.	Equity and liabilities	ABC Ltd(Rs in lakhs)	XYZ Ltd (Rs in lakhs)	Equity Share Capital (Share of Rs.10 each)	100	25	Preference Share	27	nil	Share Premium	nil	2	P&L Account	40	5	10% debenture	20	6	Total	185	38	Assets			Fixed Assets	140	25	Current Assets	45	13	Total	185	38	Profit after tax and preference dividend	25	10	10	L4	CO5
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		<b>CASE STUDY (Compulsory)</b> The Sun Ltd and the Moon Ltd are in the business of similar nature decided to amalgamate and a new company is formed called Star Ltd. who took over the Assets and Liabilities of both the companies. The following are the Balance Sheets: Balance Sheet as on 31st March 2021 <table><tr><td>Liabilities</td><td>SunLtd. Rs.</td><td>MoonLtd. Rs.</td><td>Assets</td><td>SunLtd. Rs.</td><td>MoonLtd. Rs.</td></tr></table>	Liabilities	SunLtd. Rs.	MoonLtd. Rs.	Assets	SunLtd. Rs.	MoonLtd. Rs.	20	L4	CO5																														
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Q8	a.																																								

			Share Capital: 7,500 Shares of Rs 10 each 4,550 Shares of Rs. 10 each	75,000 — 45, 50 0		Goodwill Freehold Premises	30,000 10,000	20,000 —				
			Sundry Creditors	3,000	2,000	Plant and Machinery	18,300	13,450				
			General Reserve	4,200	—	Stock	16,000	11,550				
			Profit & Loss Account	800	4,500	Sundry Debtors	7,500	6,000				
						Cash at Bank	1,200	1,000				
				<b>83,000</b>	<b>52,000</b>		<b>83,000</b>	<b>52,000</b>				
Assuming that Assets realize at their book values, what amount each company will get? Prepare Balance Sheet after amalgamation and journal entries in the books of Star Ltd.												

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