



III Semester M.Com. (FA) Examination, May 2024

(CBCS Scheme) (2021 – 22)

FINANCIAL ANALYSIS

Paper – 3.1 : Mergers, Acquisitions and Restructuring

Time : 3 Hours

Max. Marks : 70

SECTION – A

1. Answer **any seven** out of ten. **Each** question carries **two** marks. (7×2=14)

- a) Define merger.
- b) What is meant by synergy ?
- c) Define Crown Jewel.
- d) What is meant by equity carve out ?
- e) Give the meaning of Hubris hypothesis.
- f) What are the various forms of poison pills ?
- g) Mention any two pros and cons of a takeover.
- h) What are the purposes of Competition Commission of India ?
- i) State the methods of financing mergers.
- j) What are the reasons for failures of mergers and acquisitions ?

SECTION – B

Answer **any four** questions out of six. **Each** question carries **five** marks. (4×5=20)

2. Explain the different types of mergers with examples.
3. Explain the five-stage model.
4. What is meant by Leveraged Buyout ? Explain the types of Leveraged Buyout.
5. Explain the post-merger integration problems in mergers and acquisitions.
6. Discuss the forms of Corporate Divestitures.



7. Nandini Ltd. is considering the acquisition of Heritage Ltd. with stock. Relevant financial information is as below :

	Nandini Ltd.	Heritage Ltd.
Present Earnings (Rs. in Lakh)	4,000	1,000
Common shares (Lakh)	2,000	800
Earnings per share (Rs.)	2	1.25
Price-earnings ratio	12	8

Nandini Ltd. plans to offer a premium of 20% over the market price of Heritage Ltd.

- What is the ratio of exchange of stock ?
- How many new shares will be issued ?

SECTION – C

Answer **any two** questions out of four. **Each** question carries **twelve** marks. **(2×12=24)**

- Discuss the theories of mergers.
- Explain the different forms of corporate restructuring.
- Discuss the classification of defensive strategies used against anti-takeover bid.
- The A Ltd. and the B Ltd. whose business are of similar nature, decided to amalgamate and the new company C Ltd. is formed to take over their respective Assets and Liabilities. The following are their respective Balance Sheets.

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Share Capital			Fixed Assets	10,00,000	6,50,000
Equity Shares of			Investments	4,00,000	1,50,000
Rs. 10 each	6,00,000	4,00,000	Stock	3,00,000	1,50,000
12% Pref. Shares of			Sundry Debtors	4,00,000	2,00,000
Rs. 100 each	3,00,000	2,00,000	Cash at Bank	3,00,000	1,50,000
Capital Reserve	2,00,000	1,50,000			
General Reserve	3,00,000	1,50,000			
Profit and Loss	1,00,000	50,000			
Secured Loans	4,00,000	2,00,000			
Creditor	3,00,000	1,00,000			
Tax Provision	2,00,000	50,000			
	24,00,000	13,00,000		24,00,000	13,00,000



Other information :

- i) Preference shareholders of the two companies are issued equivalent number of 15% Preference shares of C Ltd. at an issue price of Rs. 125 per share.
- ii) C Ltd. will issue one Equity share of Rs. 10 each for every share of A Ltd. and B Ltd. The shares were issued at a premium of Rs. 5 per share.

Pass the journal entries in the books of C Ltd.

SECTION – D

Answer the following.

(1×12=12)

12. XYZ Ltd. wants to acquire ABC Ltd. by exchanging its 1.6 shares for every share of ABC Ltd. It anticipates to maintain the existing PE ratio subsequent to the merger also. The relevant financial data are furnished below :

	XYZ Ltd.	ABC Ltd.
Profit after-tax (Rs. in Lakh)	15	4.5
Number of equity shares	3,00,000	75,000
Market price	35	40

- a) What is the exchange ratio based on market prices ?
 - b) What is the pre-merger EPS and PE ratio for each company ?
 - c) What was the PE ratio used in acquiring ABC Ltd. ?
 - d) What is the EPS of XYZ Ltd. after the acquisition ?
 - e) What is the expected market price of per share of the merged company ?
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