Total No. of Questions: 6 *Total No. of Printed Pages:3*

Enrollment No......................................

Faculty of Management Studies

End Sem (Even) Examination May-2019

MS5EF09 Mergers & Acquisitions

Programme: MBA Branch/Specialisation: Management/Finance

Duration: 3 Hrs. **Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

Q.1 i. When two or more companies carrying a similar business decide to combine, a new company is formed. It is known as is formed. It is known as ________________ **1**

(a) Amalgamation (b) Absorption

(c) Internal reconstruction (d) External reconstruction

ii. If the intrinsic value of share exchanged are not equal, the difference paid is equal in _____________ **1**

(a) Cash (b) Debentures

(c) Profit share (d) Assets

iii. A merger in which entirely new firm is created and both the acquired and acquiring firm cease to exist is called a ________ **1**

(a) Divestiture (b) Consolidation

(c) Tender offer (d) Conglomeration

iv. Doing private transaction in which a large percentage of the money is used to buy the outstanding stock is borrowed called a ___________ **1**

(a) Tender offer (b) Proxy contest

(c) Merger (d) Leveraged buyout

v. Suppose that market price of company X is Rs. 45 per share and that of company Y is Rs.30 per share of X offers three fourth share of common stock for each share of Y, the ratio of exchange of market price would be________________ **1**

(a) 0.667 (b) 1.0 (c) 1.125 (d) 1.5

vi. What happens to the stock prices of two companies involved in an acquisition? **1**
(a) Nothing happens to stock price
(b) Both stock rises
(c) The acquiring company stock falls while the target company stock rises.
(d) Both stock will fall

vii. _____________ is an offer made by one company to buy the share of another for a much higher per share price then **1**
(a) Bear hug offer (b) Counter tender offer
(c) Counter offer (d) None of these

viii. If two firms merges then ___________ **1**
(a) Long term average cost decreases
(b) Price wars are less likely
(c) Revenue opportunities increases
(d) All of these

ix. The financial goal of a public sector firm fully owned by the government is to _________________ **1**
(a) Maximize the book value.
(b) Maximize the profit earned by the firm.
(c) Maximize the present value of stream of equity returns.
(d) Maximize the return on equity.

x. All of the following are widely used methods for evaluating capital expenditures except ______________ **1**
(a) Payback method (b) Internal rate of return
(c) Net present value (d) Weighted average cost of capital

Q.2 i. How will the merger help the firms achieve its strategic vision? **3**
ii. What is amalgamation? Do you think amalgamation is beneficial to stake holders in improving their stock holding? Explain. **7**
OR iii. Derive the provisions in company act regarding merger & acquisition. How is SEBI regulating merger and acquisition of a public Ltd company? **7**

Q.3 i. Under merger process, how one can identify target company? **2**

ii. While formulating the acquisition strategy process, what all challenges companies face. Explain the different strategy formulation. **8**
OR iii. Write a short note on: **8**
(a) Poisson pills (b) Bear hug

Q.4 i. Explain the financial & managerial synergy merger. **3**
ii. How value creation in horizontal, vertical & conglomerate mergers differ from each other? Explain with suitable examples. **7**
OR iii. Write a note on following with suitable example. **7**
(a) Post merger HR
(b) Ethical issues of merger and takeover

Q.5 i. Discuss the various methods of valuation at the time of merger & acquisition. **4**
ii. Explain the valuation process held during a merger. Explain with suitable example. **6**
OR iii. Write short notes on **6**
(a) Earning potential basis. (b) Market price method of evaluation

Q.6 Attempt any two:
i. Explain different methods of financing for merger & acquisition. **5**
ii. Discuss “merger as a capital budgeting decision”. **5**
iii. Write a note on accounting for merger and acquisition. **5**

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Marking Scheme
MS5EF09 Mergers & Acquisitions

Q.1	i.	When two or more companies carrying a similar business decide to combine, a new company is formed. It is known as is formed. It is known as ________________ (a) Amalgamation		**1**
	ii.	If the intrinsic value of share exchanged are not equal, the difference paid is equal in _____________ (a) Cash		**1**
	iii.	A merger in which entirely new firm is created and both the acquired and acquiring firm cease to exist is called a ________ (b) Consolidation		**1**
	iv.	Doing private transaction in which a large percentage of the money is used to buy the outstanding stock is borrowed called a ___________ (d) Leveraged buyout		**1**
	v.	Suppose that market price of company X is Rs. 45 per share and that of company Y is Rs.30 per share of X offers three fourth share of common stock for each share of Y, the ratio of exchange of market price would be________________ (c) 1.125		**1**
	vi.	What happens to the stock prices of two companies involved in an acquisition? (c) The acquiring company stock falls while the target company stock rises.		**1**
	vii.	_____________ is an offer made by one company to buy the share of another for a much higher per share price then (a) Bear hug offer		**1**
	viii.	If two firms merges then ___________ (d) All of these		**1**
	ix.	The financial goal of a public sector firm fully owned by the government is to _________________ (c) Maximize the present value of stream of equity returns.		**1**
	x.	All of the following are widely used methods for evaluating capital expenditures except ______________ (d) Weighted average cost of capital		**1**
Q.2	i.	Merger help the firms achieve its strategic vision		**3**
		1 mark for each point	(1 mark * 3)	
	ii.	Definition of Amalgamation	1.5 marks	**7**
		Beneficial of amalgamation to stake holders	5.5 marks	
OR	iii.	Provisions regarding merger & acquisition	3.5 marks	**7**
		SEBI regulation	3.5 marks	
Q.3	i.	Merger process Steps		**2**
	ii.	acquisition strategy process and challenges	4 marks	**8**
		Strategy formulation steps	4 marks	
OR	iii.	Write a short note on:		**8**
		(a) Poisson pills	4 marks	
		(b) Bear hug	4 marks	
Q.4	i.	Financial synergy merger	1.5 marks	**3**
		Managerial synergy merger.	1.5 marks	
	ii.	Definition of value creation	1 mark	**7**
		Horizontal merger	2 marks	
		Vertical merger	2 marks	
		Conglomerate mergers	2 marks	
OR	iii.	Write a note on following with suitable example.		**7**
		(a) Post merger HR	3.5 marks	
		(b) Ethical issues of merger and takeover	3.5 marks	
Q.5	i.	Methods of valuation at the time of merger & acquisition.		**4**
		1 mark for each method	(1 mark * 4)	
	ii.	Valuation process held during a merger with example		**6**
		1.5 mark for each step	(1.5 marks * 4)	
OR	iii.	Write short notes on		**6**
		(a) Earning potential basis.	3 marks	
		(b) Market price method of evaluation	3 marks	
Q.6		Attempt any two:		
	i.	Methods of financing for merger & acquisition.		**5**
		1 mark for each method	(1 mark * 5)	
	ii.	Explanation of capital budgeting techniques for merger	3 marks	**5**
		Example	2 marks	
	iii.	Accounting for merger and acquisition.		**5**
		Purchase method	2.5 marks	
		Pooling method	2.5 marks	

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