(Please write your Exam Roll No.) **Exam Roll No.** ....045........

END TERM EXAMINATION

FOURTH SEMESTER [MBA] MAY-JUNE-2013

Paper Code: MS222/216 MSP314 BMS522	**Subject: Merger, Acquisitions & Corporate Restructuring**

Time : 3 Hours **Maximum Marks :60**

Note: Attempt any five questions including Q.no.1 which is compulsory. All questions carry equal marks.

Q1 Quick Ltd. is planning to acquire Fast Ltd. in order to expand its installed capacity. The company will then be in a position to cater to increasing demand for its products and services. The projected equity related cash flows of M/s. Quick Ltd. before and after merger is given below:

Rs. in Million

Year	1	2	3	4	5
Projected Cash Flow before Acquisition	14.6	17.1	16.8	20.6	23.9
Projected Cash Flow after Acquisition	21.3	23.4	29.0	35.7	42.5

The cash flows are expected to grow at a rate of 6% beyond year 5 if M/s. Fast Ltd. is not acquired and at the rate of 8% if the acquisition takes place. The other relevant data relating to the two companies is given.below:

Company	Quick Ltd.	Fast Ltd.
No. of outstanding shares(million)	20	10
Market Price (Rs.)	32.00	26.00
Book Value (Rs.)	28.00	21.00

The cost of equity is 16%. You are required to find out the maximum exchange ratio that the management of Quick Ltd. can offer to the shareholders of Fast Ltd. so that the present value of its equity related cash flows is at least 20% more than existing level. Whether the exchange ratio offered by Quick Ltd. as calculated in sub part (a) above will be acceptable to the shareholders of Fast Ltd. if their present value of pre merger cash flows is Rs.125 millions?

Q2 Why Mergers and Acquisitions (M&A) have become so popular among the corporate world in a contemporary scenario? Explain briefly the various motives for M&A.

Q3 Distinguish between-

(a) Spin-off and Split Off (b) LBO and Carve Out (c) Demerger and Reverse Merger

Q4 State the Hubris Hypothesis of corporate takeovers? Giving examples state the evidences of hubris.

Q5 Briefly describe the following: -

(a) Financial Signaling Effect (b) Poison Pill defense (c) Bootstrapping Game -

Q6 In light of the relevant regulations, list the procedure for approval of scheme of amalgamation of companies in Indian context.

Q7 (a) Explain the various defenses against hostile takeover? Are they really successful in Indian context?

(b) Giving two examples from Indian companies, explain the concept of management buyouts.

Q8 State and explain the various methods of accounting for Mergers and Acquisitions. List two important features of IFRS 3 relating to business combinations.

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