

GUJARAT TECHNOLOGICAL UNIVERSITY
M.B.A -IVth SEMESTER-EXAMINATION – MAY- 2012

Subject code: 2840201**Date: 21/05/2012****Subject Name: Mergers & Acquisitions (M&A)****Time: 10:30 am – 01:30 pm****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q.1** (a) Explain Corporate Restructuring and various forms of Corporate Restructuring. **07**
- (b) Briefly explain the procedure to be followed by a company planning for a merger. **07**

- Q.2** (a) What are the various areas in which due diligence is carried on? Explain each in brief. **07**
- (b) Explain Types of Accounting for Amalgamation as per AS-14 **07**

OR

- (b) X Ltd and Y Ltd agreed to amalgamate their business by transferring their undertaking to a new company, XY Ltd. On the date of amalgamation, balance sheets of the two companies were as under :

Liabilities	X Ltd (Rs)	Y Ltd (Rs)	Assets	X Ltd (Rs)	Y Ltd (Rs)
Equity Share Capital (Rs 10 each)	5,00,000	3,00,000	Fixed Assets	4,80,000	2,50,000
Reserve Fund	-	50,000	Freehold property	2,00,000	1,00,000
P & L A/C	30,000	20,000	Investments	50,000	20,000
5% Debentures	2,00,000	1,00,000	Debtors	2,50,000	1,50,000
Mortgage Loan	50,000	-	Preliminary Expenses	20,000	80,000
Creditors	2,20,000	1,30,000			
	10,00,000	6,00,000		10,00,000	6,00,000

Purchase Consideration consisted of :

1. Discharge of debentures of both companies by issue of equivalent amount of 6% debentures in XY Ltd.
2. Liabilities of both the companies will be taken over by the new company.
3. The issue of equity shares of Rs 10 each in XY Ltd at a premium of Rs 2 per share.

For the purpose of amalgamation, the assets were valued as under :

Assets	X Ltd	Y Ltd
Goodwill	1,00,000	75,000
Freehold Property	2,60,000	1,40,000
Investments	51,000	20,000
Assets	4,10,000	2,80,000
Debtors	2,25,000	1,35,000

Prepare Balance Sheet of XY Ltd after Amalgamation.

Q.3 (a) Explain the provisions under various sections of Indian Companies Act which are relevant for Mergers and Acquisitions. **07**

(b) What are the provisions of Income Tax Act for Mergers & Acquisitions? **07**

OR

Q.3 (a) What are the tactics a company can use as a defense against threat of an acquisition? **07**

(b) What are the difficulties faced by a company in Cross Border Acquisitions? **07**

Q.4 (a) What are the benefits and weaknesses of Strategic Alliances? **07**

(b) Following are the particulars of A Ltd and T Ltd. A Ltd decided to acquire T Ltd. **07**

Particulars	A Ltd	T Ltd
Earnings after tax	2,00,000	60,000
No. of Equity shares outstanding	8,000	4,000
EPS	25	15
P/E ratio	8	5
Market Price	150	75

Calculate

1. Exchange ratio based on EPS and Value of the firm.

2. Exchange ratio based on Market Price and Value of the firm.

OR

Q.4 (a) Write short notes on Asset based valuation and Earning Based valuation. **07**

(b) The free cash flow of a firm is projected to grow at a compound annual average rate of 25% for the next 5 years. Growth is then expected to slow down to a normal 10 % annual growth rate. The current year's cash flow to the firm is Rs.4 lakh. The firm's cost of capital during high growth period is 18% and 12 % beyond the fifth year, as growth stabilizes. Compute the value of the firm. **07**

Q.5 (a) What are Divestitures? Why do companies go for divestitures? **07**

(b) What are 'ESOPs'? Explain in detail various types and uses of ESOPs. **07**

OR

Q.5 (a) Brief SEBI's guidelines for buyback of shares. **07**

(b) Write a short note on three recent acquisitions in India. **07**
