Name: **Enrolment No:**	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2022

Course: MERGER & ACQUISITION & CORP RESTRUCTURING **Semester: 4TH**
Program: MBA (IB) **Time : 03 hrs.**
Course Code: STGM8002 **Max. Marks: 100**

Instructions: Attempt all questions.

SECTION A
10Qx2M=20Marks

S. No.		**Marks**	**CO**
Q 1	1. The merger of J.P. Morgan and Bank One is an example of: (I) Cross-border merger (II) Horizontal merger (III) Conglomerate merger (IV) Vertical merger 2. Pfizer's acquisition of Pharmacia is an example of: (I) Horizontal merger (II) Vertical merger (III) Conglomerate merger (IV) Cross-border merger 3. AOL's (America Online) acquisition of Time Warner is an example of: (I) Cross-border merger (II) Horizontal merger (III) Conglomerate merger (IV) Vertical merger 4. Daimler-Benz's acquisition of Chrysler is an example of: (I) Horizontal merger (II) Conglomerate merger (III) Reverse merger (IV) Vertical merger 5. Walt Disney's acquisition of ABC television network is an example of: (I) Horizontal merger (II) Vertical merger (III) Conglomerate merger (IV) Cross-border merger 6. Firm A is planning to acquire Firm B. If Firm A prefers to make a cash offer for the merger it indicates that: A) Firm A's managers are optimistic about the post merger value of A B) Firm A's managers are pessimistic about the post merger value of A	**10 X 2 = 20**	**CO1**

	C) Firm A's managers are neutral about the post merger value of A D) None of the above 7. Compensation paid to top management in the event of a takeover is called a: A) Poison pill B) Golden parachute C) Self-tender D) Buyout 8. As a defensive maneuver, a firm issues deep-discount bonds that are redeemable at par in the event of an unfriendly takeover. These bonds are an example of: A) Greenmail B) A "scorched earth" policy C) Crown jewels D) A poison put 9. Under ___________ method, the assets, liabilities and reserves of the transferor company will be taken over by Transferee Company at existing carrying amounts and the difference between the share capital issued by the transferee company to the transferor and the actual existing share capital is adjusted with the reserves. 10. The difference between the purchase consideration and the net assets (at agreed values) of the transferor company shall be recorded as goodwill or capital reserve in the books of the __________ company.		
SECTION B **4Qx5M= 20 Marks**			
Q.2.	"At the time of amalgamation, purchase consideration does not include……." . Identify those components which are not included in purchase consideration.	**5**	**CO2**
Q.3.	A company with a higher p/e acquires one with a lower p/e – state whether is this accretive or dilutive?	**5**	**CO2**
Q.4.	The terms "mergers; acquisitions; and takeovers" are often used interchangeably in common parlance. However, there are differences. Explain.	**5**	**CO2**
Q.5.	In which type of merger a completely new firm is built and both the acquiring and the acquired firms cease to exist? OR If Microsoft were to acquire U.S. Airways, the acquisition would be classified as which type of merger?	**5**	**CO3**

<table>
<tr><td colspan="4">SECTION-C
3Qx10M=30 Marks</td></tr>
<tr><td>Q.6.</td><td>A ltd is considering acquisition of X ltd which has 1.5 crores shares outstanding and issued. The market price per share is Rs 400 at present. A ltd's average cost of capital is 12%. Available information from X ltd indicates its expected cash accruals for the next 3 years as follows:

Year — Amount (in Crores)
1 — 250
2 — 300
3 — 400

Calculate the range of valuation that A ltd has to consider.

(PV factor at 12% for year 1 -3 resp: 0.893, 0.797 and 0.712)

OR

Two of the major considerations in any takeover transaction are the choice of takeover financing sources and the means of payment. Although frequently considered as synonymous, these two considerations are driven by distinct determinants, and investors take into account the information signaled by the choice of both the payment method and financing sources.

The sources of takeover financing comprise the way an acquiring firm raises capital to fund an acquisition of another company. Financing sources can be classified into three general categories: (1) internally generated funds, (2) equity issues (including public and private equity placement), and (3) debt issues including issues of bonds or loan notes and borrowing from a bank. Many acquiring companies use more than one source to finance their takeovers. The means of payment is what the acquiring firm is actually offering to the target's shareholders in exchange for their shares.

Explain the different modes of payment.</td><td>10</td><td>CO3</td></tr>
<tr><td>Q.7.</td><td>_________ merger is when a private company – to automatically become a publicly traded company, it buys a public company– and it does not have to undertake initial public offer. Explain the same.</td><td>10</td><td>CO3</td></tr>
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Q.8.	Under merger, two or more companies keeping in view their long term business interest combine into one economic entity to share the risk and financial rewards. So however in strict sense merger is used for fusion of two companies to achieve the expansion and diversification. In the light of above statement, critically analyze the motives behind such transactions.	**10**	**CO4**
SECTION-D **2Qx15M= 30 Marks**			
Q.9.	On the basis of synergy gain theory, identify the motives behind M&A and the impact on firm values after M&A.	**15**	**CO4**
Q.10.	Being a straight forward method, the value of shares of target company is computed in terms of net assets acquired. This method of valuation is not based on income generation rather than on income generating assets. Identify the approach to value an enterprise and classify further methods of the approach.	**15**	**CO4**