| Roll No. | | | | | | | | | | | | |
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# PRESIDENCY UNIVERSITY

## BENGALURU

**End - Term Examinations – December 2025**

**Date:** 23-12-2025 **Time:** 09:30am – 12:30pm

| | | |
|---|---|---|
| **School:** SOM-PG | **Program:** MBA | |
| **Course Code :** MBA3073 | **Course Name:** Mergers, Acquisitions and Corporate Restructuring | |
| **Semester**: III | **Max Marks**: 100 | **Weightage**: 50% |

| **CO - Levels** | **CO1** | **CO2** | **CO3** | **CO4** | **CO5** |
|---|---|---|---|---|---|
| **Marks** | **16** | **31** | **34** | **19** | |

**Instructions:**

*(i) Read all questions carefully and answer accordingly.*

*(ii) Do not write anything on the question paper other than roll number.*

## Part A

**Answer ALL the Questions. Each question carries 2marks.** **10Q x 3M=30M**

| | | | | |
|---|---|---|---|---|
| **1.** | Illustrate the role synergy plays in determining the rationale for a merger? | **3 Marks** | **L2** | **CO1** |
| **2.** | Explain the motives and for demergers in the current scenario | **3 Marks** | **L2** | **CO1** |
| **3.** | A manufacturing company is facing declining profitability. State how financial restructuring helps in addressing this issue. | **3 Marks** | **L2** | **CO2** |
| **4.** | Demonstrate key defensive strategies that companies use to prevent hostile takeovers? | **3 Marks** | **L2** | **CO2** |
| **5.** | Interpret the significance of understanding opportunity cost in determining the acquisition premium. | **3 Marks** | **L2** | **CO3** |
| **6.** | Explain the significance of P/E ratio in business valuation. | **3 Marks** | **L2** | **CO3** |
| **7.** | Distinguish between Economic Value Added and Market Value Added in business valuations | **3 Marks** | **L2** | **CO3** |
| **8.** | ADD Ltd is taking over Black Ltd. The shareholders of Black Ltd would receive 0.6 share of ADD Ltd for each share held by them. No. of shares of ADD Ltd before Merger is 50000 and No. of shares of Black Ltd pre-merger is 5000. Calculate the post-merger no. of shares. | **3 Marks** | **L2** | **CO4** |

| | | | | |
|---|---|---|---|---|
| **9.** | RRR Ltd acquires JA Ltd by exchanging one share for every two shares of JA Ltd. Calculate the post-merger number of shares of RRR Ltd outstanding, if pre-merger number of share were as below: RRR Ltd– 24000 and JA Ltd 1600 | **3 Marks** | **L2** | **CO4** |
| **10.** | SLR Ltd has 700000 shares outstanding and wants to acquire DBN Ltd, which has 300000 shares outstanding, by exchanging its .8 shares for every share of DBN Ltd. Calculate the post-merger number of shares | **3 Marks** | **L2** | **CO4** |

## Part B

**Answer the Questions.** **Total Marks 40M**

| | | | | | |
|---|---|---|---|---|---|
| **11.** | **a.** | The merger of a manufacturing company is primarily justified by expected operational synergy and supply chain optimization. Discuss how synergy gains, such as cost efficiencies and financial synergy can be measured and their potential impact on the merged entity's profitability. | **10 Marks** | **L3** | **CO1** |
| | | **Or** | | | |
| **12.** | **a.** | Mergers and acquisitions is common in today's business world. Explain the due diligence process to be carried out before the deal is finalized. | **10 Marks** | **L3** | **CO1** |

| | | | | | |
|---|---|---|---|---|---|
| **13.** | **a.** | Portfolio restructuring is an important segment in corporate restructuring. Discuss the purpose and various classifications of portfolio restructuring | **10 Marks** | **L3** | **CO2** |
| | | **Or** | | | |
| **14.** | **a.** | A global automobile manufacturer and a battery technology firm form a joint venture to accelerate the development of electric vehicles. Both firms aim to leverage their respective expertise but avoid the complexities of a full merger. Explain why alliances and joint ventures might be preferred over mergers in such scenarios. | **10 Marks** | **L3** | **CO2** |

| | | | | | |
|---|---|---|---|---|---|
| **15.** | **a.** | The following is the income Statement of a firm for the current year:<br>Sales revenue 500<br>Less: Operating costs 300<br>Less Interest costs 12<br>EBT 188<br>Less Tax @25% 47<br>Earnings after Tax 141<br>The company has a capital of Rs.300 Lakhs and the weighted average cost of capital is 12%.<br>i) Determine the economic value added during the year.<br>ii) Distinguish between Economic Value Added and Market Value Added in business valuations | **10 Marks** | **L3** | **CO3** |
| | | **Or** | | | |

| | | | | | |
|---|---|---|---|---|---|
| **16.** | **a.** | Explain the challenges faced post - merger integration by merged entities with respect to sales , marketing and human resource integration**.** | **10 Marks** | **L3** | **CO3** |

| | | | | | |
|---|---|---|---|---|---|
| **17.** | **a.** | AL Ltd is intending to acquire PN Ltd. by merger and the following information is available in respect of both the companies<br><br>**Particulars** / **AL Ltd** / **PN Ltd**<br>No. of equity shares / 5,00,000 / 6,00,000<br>Profit after tax (Rs) / 25,50,000 / 10,00,000<br>Market Price Per Share (Rs) / 24 / 20<br><br>i) Calculate the Present EPS of both companies.<br>ii) If the Proposed merger takes place, what would be the new EPS for AL Ltd? Assume that the merger takes place by exchange of equity share and the exchange ratio is 0.8 for every share in PN Ltd<br>iii) Will you recommend the merger of both the companies? Justify your answer. | **10 Marks** | **L3** | **CO4** |
| | | **Or** | | | |
| **18.** | **a.** | Z Ltd wants to acquire AB Ltd by exchanging 0.5 of its share for<br><br>Particulars / Z Ltd / AB Ltd<br>EAT(Rs) / 10,00,000 / 4,60,000<br>Equity Share outstanding / 4,00,000 / 2,00,000<br>EPS(Rs) / 2.5 / 2.3<br>P/E Ratio (times) / 12 / 10<br>Market price per share(Rs) / 30 / 23<br><br>Required:<br>i. What is the number of equity shares required to be issued by Z Ltd for acquisition of AB Ltd<br>ii. What is the EPS of Z Ltd after the acquisition of AB Ltd?<br>iii. Determine the market price of the merged firm, assuming its P/E multiple is 35 | **10 Marks** | **L3** | **CO4** |

## Part C

**Answer all the Questions. Each question carries 15marks** **2Q x 15M=30M**

| | | | | | |
|---|---|---|---|---|---|
| **19.** | **a.** | Microsoft's Acquisition of LinkedIn<br><br>In June 2016, Microsoft announced its acquisition of LinkedIn for $26.2 billion, marking one of the largest tech deals in history. The all-cash deal valued LinkedIn shares at $196 each, a 50% premium over their pre-announcement price. Microsoft aimed to enhance its enterprise offerings by integrating LinkedIn's professional network with its cloud and productivity tools. LinkedIn, with over 430 million members at the time, was a strategic asset for Microsoft. The acquisition sought to create synergies by combining LinkedIn's data and reach with Microsoft's products like Office 365, Dynamics CRM, and Azure.<br><br>Key Elements of the Deal<br><br>Cash Consideration: Microsoft financed the $26.2 billion purchase entirely in cash, signaling confidence in LinkedIn's growth potential.<br><br>Strategic Synergies: The integration was expected to drive innovation, such as embedding LinkedIn insights into Microsoft Office and leveraging LinkedIn's Sales Navigator with Microsoft's CRM solutions.<br><br>Retention of Leadership: LinkedIn retained its branding, culture, and leadership team, with CEO Jeff Weiner reporting directly to Microsoft CEO Satya Nadella.<br>Challenges and Criticism<br>High Valuation: The $26.2 billion price tag was a significant premium, raising concerns about overpayment.<br>Integration Complexity: Balancing LinkedIn's autonomy with Microsoft's broader ecosystem required careful execution.<br>Regulatory Approval: The deal faced scrutiny from competition regulators, particularly in the EU.<br><br>Outcomes: The acquisition has been largely successful, with LinkedIn's membership exceeding 900 million by 2023. Microsoft effectively integrated LinkedIn insights into its products, such as resume tools in Word and advanced CRM capabilities in Dynamics 365. The deal strengthened Microsoft's position in the enterprise market and underscored its strategy of investing in high-growth, data-driven platforms.<br><br>Questions<br><br>1. Why did Microsoft choose an all-cash consideration for the LinkedIn acquisition?<br>2. Discuss the synergies created by combining LinkedIn's network with Microsoft's enterprise tools.<br>3. How did retaining LinkedIn's leadership contribute to the deal's success? | **15 Marks** | **L4** | **CO1, 2,4** |

| 20. | a. | **The Balance sheet of Jamuna Synthetics Ltd, as on 31st March 2023 is given below:** | **15M** | **L4** | **CO3** |
|---|---|---|---|---|---|

| Liabilities | Rs | Assets | Rs |
|---|---|---|---|
| Equity share capital(5,00,000 shares of 10 each) | 50,00,000 | Land | 14,00,000 |
| General Reserve | 15,00,000 | Buildings | 23,00,000 |
| 14% Debentures | 10,00,000 | Plant and Machinery | 28,00,000 |
| Sundry creditors | 5,00,000 | Debtors | 6,00,000 |
| Bank ovedraft | 4,00,000 | Inventory | 8,00,000 |
| Provision for taxation | 1,00,000 | cash | 2,00,000 |
| | | Patents and trade Marks | 3,00,000 |
| | | Profit & loss | 1,00,000 |
| | 85,00,000 | | 85,00,000 |

**The profits of the company for the past four years are as follows:**

| 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|
| 12,00,000 | 15,00,000 | 21,00,000 | 23,00,000 |

Every year , the company transfers 20% of its profits to the general reserve. The industry average rate of return is 18% of the share value.

On 31st March 2023, the Market value of the assets is as follows:

| Assets | Rs |
|---|---|
| Land | 26,00,000 |
| Buildings | 40,00,000 |
| Plant and Machinery | 32,00,000 |
| Debtors | 5,00,000 |
| Patents and trade marks | 2,00,000 |

Calculate the value of the company's share as per the Market value method , Earnings yield method and Fair value method.