



PRESIDENCY UNIVERSITY, BENGALURU
SCHOOL OF MANAGEMENT

Max Marks: 100

Max Time: 3 hours

Weightage: 40 %

Set A

COMPREHENSIVE EXAMINATION

I Semester 2016-2017 Course: MBA A 211: Corporate restructuring,
Mergers and acquisitions

15th December, 2016

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- Instructions:** 1. Clarity of thoughts and application of concepts would be rewarded.
2. Give real-life examples wherever possible:
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Part A

(10 Q x 2 M= 20 Marks)

1. Can M&A be a tool for corporate restructuring?
2. Why 'product-market restructuring' leads to 'organisational restructuring'?
3. Can national economic reforms lead to corporate restructuring?
4. Does acquisition always result in making a combined balance sheet?
5. What are the motives of M&A?
6. What is hostile acquisition?
7. What is *appointed date*?
8. What is book value of an enterprise?
9. What is reverse synergy?
10. Do all M&As realize synergy?

Part B

(8 Q x 5 M= 40 Marks)

1. How cost-based competitive advantage can be achieved by combining the value chains of the target and the acquiring firms?
2. Does 'hubris-motive' always land up in over-paying for the target firm?
3. Under what circumstances, income approach is better for valuation of a company?
4. Would divestiture always warrant for reverse synergy; $2-1=2$?
5. Under what circumstances, valuation of acquiring company is to be accepted by the target company?
6. Which is the best mode of payment; 'cash' or 'paper'?
7. How external fatal flaws can be detected by due diligence process?
8. What does Competition commission of India do during 'cooling period' in a merger application?

Part C

(2 Q x 20 M = 40 Marks)

1. Reliance Ltd. decides to sell the company at a price of Rs.50,000. Alliance Ltd. is interested to acquire B Ltd. But immediately on acquisition they want asset stripping of packing department at Rs. 35,000. The remaining departments will generate a cash flow of Rs. 26,000 annually for 8 years. The WACC (weighted average cost of capital) of Alliance Ltd. is estimated to be 10%. The latest Balance Sheet (pre-acquisition) of Reliance Ltd. is as follows:

Assets	Rs.
Cash balance	3,000
Accounts receivable	7,000
Inventory	12,000
Assets-Dye Department	115,000
Assets-Cutting Department	35,000
Assets-Packing Department	30,000
Total	202,000
Liabilities	
Equity	122,000
Debt	80,000
Total	202,000

Should Alliance Ltd. acquire Reliance Ltd.? Also, comment on divestiture immediately after acquisition. [Present Value is to be computed with calculator].

Or

How organizational autonomy and strategic interdependence become key considerations for successful integration of mergers and acquisition?

2. The market value of Aston Ltd. (acquirer) is Rs 5 billion [50 million shares @ Rs 100/- per share]. Market value of Baston Ltd. (acquired) is Rs 2.8 billion [40 million shares @ Rs 70/- per share]. Aston acquires Baston and they estimate synergy value as Rs 1.7 billion. The agreed price for acquisition is Rs. 4 billion, payable as 40 million shares of Aston Ltd. @ Rs 100 per share.
 - (a) What would be the impact on the shareholders of both the companies if the deal is done through cash, when (i) synergy is realised and (ii) synergy is not realised.
 - (b) Would your answer be the same if shares are offered to shareholders of target company in the ratio of 1:1 by the acquiring company?



**PRESIDENCY UNIVERSITY, BENGALURU
SCHOOL OF MANAGEMENT**

Max Marks: 80

Max Time: 2 hours

Weightage: 20 %

Set A

MID TERM EXAMINATION

I Semester 2016-2017 Course: **MBA A 211: Corporate restructuring,
Mergers and acquisitions**

7th October 2016

Instructions: Clarity of thoughts and application of concepts would be rewarded.

Part A

Answer the following:

(10 Q x 2 M= 20 Marks)

1. What do you mean by corporate restructuring?
2. If a company converts from 'country-diversified' to 'country-focused', would it be called corporate restructuring?
3. Why product restructuring and market restructuring take place simultaneously?
4. Why mergers and acquisitions (M&A) is considered as a method of financial restructuring?
5. What are the objectives of M&A?
6. What is spin-off?
7. What is strategic alliance?
8. What is equity alliance?
9. Is there any difference between merger and acquisition?
10. Should all M&As offer opportunities to save money?

Part B

Answer the following:

(6 Q x 5 M= 30 Marks)

1. How the M&A motive, '1 + 1 = 3' can be achieved?
2. Can 'hubris' dominate M&A decisions?
3. Do all M&As offer 'economies of scope'?
4. Why divestiture happens immediately after M&A?
5. Under what circumstances, a private company can acquire a listed company?
6. Should M&As happen through arms-length transactions?

Part C

Answer the following:

(2 Q x 15 M= 30 Marks)

1. In order to make a successful M&A deal, the value chains of the target and the acquirer companies are to be calibrated in such a way that the resultant value chain becomes stronger than the merging two. What could be the critical areas where calibrations are strategic decisions, which are absolutely necessary in the case of two manufacturing companies merging as $A+B=A$?
2. If an iron and steel manufacturing company is contemplating acquisition of a garment manufacturing company, what could be the attractiveness of the target?