Seat No.: _____ Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER–IV • EXAMINATION–WINTER • 2014

Subject code: 2840201 **Date: 25-11-2014**

Subject Name: Mergers and Acquisitions (M&A)

Time: 10.30am - 13.30pm **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)** What are the major factors influencing cross boarder M&A Activity? Discuss **07**

(b) Write a short note on vertical integration mergers. **07**

Q.2 **(a)** "Mergers create benefits of economies of scale and synergy" discuss this statement. **07**

(b) Distinguish Spin-off from split up. Give examples. **07**

OR

(b) Write a short note on Leveraged buyout. **07**

Q.3 **(a)** Discuss the major provisions of Competition Act 2002 related to Mergers and Acquisition **07**

(b) Discuss provision related to the powers of court in India with respect to approval of the scheme of amalgamation in companies act. **07**

OR

Q.3 **(a)** Why do companies go for Share Buyback? Discuss advantages and disadvantages of Share Buyback. **07**

(b) Discuss the provisions related to Mergers and Acquisition given in Income Tax Act, 1961. **07**

Q.4 **(a)** Discuss the two methods of accounting for amalgamation **07**

(b) A co. takes over the business of B co. on which date the Balance sheet of B co. was as under: **07**

Liabilities	Rs.	Assets	Rs
10,000 equity shares of Rs. 100 each fully paid up	10,00,000	Goodwill	1,50,000
General Reserve	40,000	Land and building	2,25,000
6% Debenture	2,00,000	Machinery	7,00,000
Bank overdraft	50,000	Stock	2,00,000
Workmen compensation fund	20,000	Debtors	50,000
Sundry Creditors	45,000	Cash and Bank	10,000
		Preliminary expenses	20,000
Total	**13,55,000**	**Total**	**13,55,000**

A co. agreed to take all assets, except cash and bank of B co. on the following terms:

(1) Goodwill Rs. 1,80,000 (2) Land and Building Rs. 3,00,000 (3) Machinery Rs. 5,25,000 (4) Stock Rs. 1,80,000 (5) Bad debts reserve to be created at 5% on debtors.

A co. took over all liabilities (including debentures) of B co. at their book values. A claim of Rs. 5000 is accepted by the company against workmen's Compensation fund.

Calculate Purchase Consideration.

OR

Q.4 (a) Define Purchase consideration. Discuss the major points to be considered in Net assets method of calculating purchase consideration. **07**

(b) Gama Chemicals Ltd is taking over Theta Petrochemicals Ltd. The shareholders of Theta would receive 0.8 shares of Gama Ltd for each share held by them. The merger is not expected to yield in economies of scale and operations synergy. The relevant data for two companies are as follows: **07**

Particulars	Gama ltd	Theta ltd
Net sales (Rs. crore)	335	118
Profit after tax (Rs. crore)	58	12
No. of shares (crore)	12	3
EPS (Rs.)	4.83	4
MPS (Rs.)	30	20
P/E Ratio	6.21	5

For the combined company (after merger), you are required to calculate: (a) no. of shares paid to Theta's shareholders (b) no. of shares of combined co. (c) Combined EPS (d) combined PAT.

Q.5 (a) Discuss the discounted cash flow valuation method in detail. **07**

(b) Calculate the value of Zee ltd. Based on comparable companies approach. The following data is available with respect to Zee ltd. **07**

Sales: Rs. 100 crore
Profit: 15 crore
Book Value: Rs. 60 crore

The Valuer feels that 50% weightage should be given to earnings in the valuation process. Sales and book value may be given equal weightages. The valuer has identified three firms which are comparable to the operations of Zee ltd.

Particulars	Alpha ltd	Beta Ltd	Gamma Ltd.
Price / Sales ratio	1.5	1.25	1.60
Price / Earnings ratio	10	8.33	9.60
Price / Book value ratio	3	1.66	2.40

OR

Q.5 (a) What is due diligence? Why there is a need for due diligence in M&A? **07**

(b) Calculate the value of Appu ltd based on following data. **07**

Earnings per share: Rs. 4
Capital Expenditure: Rs. 3
Depreciation per share: Rs. 2.50
Δ working capital: Rs. 0.5
Expected growth: 9%
Beta: 0.90
Risk free rate: 8%
Market risk premium: 6%
Calculate Value per share based on stable growth FCFE model.

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