Reg.No. \_\_\_\_\_\_\_\_\_\_\_\_

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**End Semester Examination – Nov/Dec – 2018**

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| **Code :** | **18MS3025** | **Duration :** | **3hrs** |
| **Sub. Name :** | **MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING** | **Max. marks :** | **100** |

**ANSWER ALL QUESTIONS (5 x 20 = 100 Marks)**

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| **Q. No.** | **Sub Div.** | **Questions** | **Course**  **Outcome** | **Marks** |
| 1. | a. | What is buyback of shares? Where do the resources for buyback come from? State the mandatory conditions that companies have to fulfill before going for a buyback. | CO1 | 10 |
| b. | What are leveraged buyouts (LBOs)? Explain the different types of LBOs. | CO1 | 10 |
| (OR) | | | | |
| 2. | a. | Do takeovers always succeed? What strategies do target companies employ to thwart takeover attempts? | CO1 | 10 |
| b. | What do you mean by acquisition? Explain the different types of acquisitions. | CO2 | 10 |
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| 3. | a. | Discuss the choice of people who are to be involved in the due diligence process. How are they different from the people interested in due diligence? | CO2 | 10 |
| b. | State and explain the important tax provisions relating to mergers and acquisitions. | CO2 | 10 |
| (OR) | | | | |
| 4. | a. | ‘People are an important element of a merger.’ Do you agree? Discuss in detail. | CO3 | 10 |
| b. | Write notes on the following:   1. Amalgamation. 2. Elements of successful mergers. | CO3 | 10 |
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| 5. | a. | State and explain the benefits of cross-border acquisitions. | CO2 | 10 |
| b. | Write notes on the following:   1. Difficulties faced in cross – border acquisitions. 2. Greenfield projects. | CO2 | 10 |
| (OR) | | | | |
| 6. | a. | State and explain the different types of divestitures with examples. | CO2 | 10 |
| b. | State and explain the different types of strategic alliances. What are the implications of strategic alliance? | CO3 | 10 |
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| 7. | a. | What is internal development? State and explain the different strategies of internal development. | CO3 | 10 |
| b. | Write short notes on the following:  i. Reasons for entering into strategic alliances.  ii. Strategic management of alliances. | CO3 | 10 |
| (OR) | | | | |
| 8. | a. | Explain the process of mergers and acquisition in detail. | CO3 | 10 |
| b. | Enumerate the benefits and disadvantages of takeovers. | CO3 | 10 |
|  | |  |  |  |
|  | | **Compulsory**: |  |  |
| 9. |  | The balance sheet of Sickness Ltd as on 31 March 2008 was as follows:  **Balance sheet as on 31 March 2008**  **Sickness Ltd**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Liabilities** | **Amount**  **(Rs)** | **Amount**  **(Rs)** | **Assets** | **Amount**  **(Rs)** | **Amount**  **(Rs)** | | Share capital: 8,000 equity shares of Rs 100 each, Rs 50 per share paid up |  | 4,00,000 | Fixed Assets:  Goodwill at cost  Others  TOTAL  Less:  depreciation | 40,000  8,50,000  8,90,000  2,70,000 | 6,20,000 | | 11% Preference shares of Rs 100 each fully paid |  | 4,00,000 | Investments |  | 25,000 | | Premium received on preference shares |  | 40,000 | Stock intrade |  | 2,10,000 | | General reserve |  | 60,000 | Sundry debtors |  | 2,55,000 | | Current liabilities  Contingent liabilities  Preference dividends are in arrears for three years including the year ended 31 March 2006 |  | 3,10,000 | Cash and bank balances |  | 1,00,000 | |  |  | **12,10,000** |  |  | **12,10,000** |   The funds of the company are sufficient to discharge its liabilities including preference dividends in arrears. However, the company does not want to deplete its resources. It would also like to reflect the values of some of its assets in a realistic manner. The board of directors of the company decided and proposed the following scheme of rehabilitation/ reconstruction to be effective from 1 April 2008.   * The cumulative preference shareholders are to be issued, in exchange of their holdings,13% debentures of the face value of Rs 100 each at a premium of 10%. Fractional holdings are to be paid off in cash. * Arrears of preference dividends to be converted into equity shares of Rs 100, Rs.50 per share paid up. * After the issues of the equity shares mentioned in (ii), the paid-up value of all the equity shares is to be reduced to Rs 25 each. * The face value of all the equity shares to be reduced to Rs.50 each and the remaining unpaid portion is to be called up fully. * Goodwill has lost its value and has to be written off. Market value of other fixed assets is determined, as on 31 March 2006 at Rs. 5,00,000. * Investments have no market value and have to be written off. * Stock in trade is to be valued at 110% of its book value and sundry debtors are to be discounted by 5%.   The scheme, as approved by the directors, is duly accepted by all the authorities and put into effect. During the working for the half-year ended 30 September 2008, it is noticed that the trading for the period has resulted in an increase of bank balances by Rs.55,100, sundry debtors by Rs.40,000, trade creditors by Rs.26,000, and a decrease in stock by Rs. 8,000. Depreciation for the half year on fixed assets at 10% per annum to be provided. The increase in the bank balances was prior to the company paying the half yearly interest on the debentures and redeeming one half of the debentures on 30 September 2008. From this information, you are required to prepare the balance sheet of Sickness Ltd, as on 30 September 2008. In addition, show the statement effects of six months on the working capital. | CO3 | 20 |