Roll No. ______________________

(Do not write anything on question paper except Roll No.)

[This paper consists of TWO Pages]

Jagan Institute of Management Studies

End-Term Examination, December 2017 – January 2018

Trimester V – PGDM 2016-18

Corporate Mergers Acquisition & Restructuring

ET_PG_CMAR_2812

Time: 3 Hrs. *M. Marks: 70*

INSTRUCTIONS: Attempt any FIVE questions. All questions carry equal marks.

Q 1 What are the major objectives of mergers and acquisitions? How does M&A create wealth for the shareholders? Is Eva a good method to calculate value creation? **14**

Q 2 A firm's earnings per share for the coming year is estimated by industry analyst to be Rs. 30. The firm has one lakh shares of common stock outstanding. The industry, in which the firm competes currently, has an average price earnings (p/e) multiple of 20. What is the firm's estimated price per share and market value? **14**

Q 3 HCL Company acquires 25% shares in ABC (it) company from secondary market. The average acquisition price is Rs. 500/-. Explain the takeover guidelines with reference the acquisition of shares .

OR

What are the anti-takeover defenses available to company in case of hostile takeover? Which of these defenses or remedies do you feel are most appropriate? **14**

Q 4 PEE company has decided to acquire kay company. The following are the relevant financial data for the two companies.

	PEE CO.	KAY CO.
Net sales (Rs. In lakh)	350.00	45.00
Profit after tax (Rs. In lakh)	28.13	3.75
Number of shares (lakh)	7.50	1.50
Earnings per share(Rs.)	3.75	2.5
Dividend per share (Rs.)	1.30	0.60
Total market capitalization (Rs. In lakh)	420.00	45.00

a) What shall be the swap ratio on the basis of the EPS?

b) Calculate post-merger estimated value of the pee co. Business if kay company shareholders are offered shares in pee co. with a swap ratio of 1 for every 2 share held in kay company & market value per share of pee is Rs.56. **14**

Q 5 Define and distinguish between the concepts of merger &takeover. Illustrate your answer with suitable examples in the Indian context.

OR

What are the major methods of financing the mergers and acquisitions? Is equity swapping the best method of funding? **14**

Q 6 Small company is being acquired by large company on a share exchange basis. Their selected data are as follows:

	Large	Small
Profit After Tax (Rs. Lakh)	5.6	21
Number of shares (Lakh)	1	8.4
Earnings per share (Rs)	5.6	2.5
Price earnings ratio	12.5	4

Determine

a) Pre-merger, market value per share.

b) The maximum minimum exchange ratio large company should offer.

c) Swap ratio based on market value of share.

d) Post-merger accretive or dilutive with reason. **14**

Q 7 Most of the mergers and acquisition fail rather than succeed. What are the major reasons for failures of mergers and acquisitions? Explain with the help of some examples. **14**

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