Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER 4 – EXAMINATION – SUMMER 2019

Subject Code: 2840201 **Date: 04/05/2019**

Subject Name: Mergers and Acquisitions

Time: 10:30 AM To 01:30 PM **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) From the multiple choices given select the correct one: **06**

1 What is the minimum size of mandatory open offer under SEBI (Substantial acquisitions of shares and takeover) Regulation,2011

A. 24% B. 25%
C. 26% D. 27%

2. A form of restructuring involving transfer of all assets and liabilities of one division to another company whose shares are allotted to the transferor company and carrier on the business.

A. Spin off B. Split up
C. Split off D None of the above

3. A defense tactic in which the target company sells its highly profitable business division to make takeover bid less attractive to the raider.

A. Poison pills B. Shark repellents
C. Blank Cheque D. Crown Jewels

4. If an automobile manufacturer were to acquire one of the firms listed below which acquisition would be called a horizontal merger?

A. A steel mill B. A rival manufacturer
C. A tire producer D. A bank

5. The cost of merger equals the

A. Cash paid for the target firm B. Increase in total earnings less price paid
C. Premium paid over the target's value as separate unit D. None of the above

6. If two merger firms are shown to have higher combined market value than the sum of individual market values, then:

A. Economic\synergy gains have taken place B. The firms were previously underpriced
C. The merger provides diversification to investors D. There is no cost involved in the merger

Q.1 **(b)** Explain the following terms: **04**

1. Demerger
2. Buy Back
3. Delisting
4. Joint venture

Q.1 **(c)** Explain the concept of corporate Restructuring and list the different motives for corporate Restructuring **04**

Q.2	**(a)**	Define the diligence as required in India. Explain the concept and major areas to be covered	**07**
	(b)	What is the joint Venture? Explain its benefits to both the entities involved.	**07**

OR

	(b)	With respect to Accounting Standard-14: highlight the difference between pooling of Interest method & Purchase Method	**07**
Q.3	**(a)**	What is the Buyback of Shares? Explain in detail the possible reasons for a Buyback.	**07**
	(b)	List and explain in detail the major provisions of competition act 2002 governing combinations.	**07**

OR

Q.3	**(a)**	Section 390 to 391A and 396 &396A of companies Act govern Amalgamations. What are the provisions of each section?	**07**
	(b)	During a re-structuring exercise, what are the major methods of effecting payment of consideration to the shareholders of the target company	**07**
Q.4	**(a)**	Explain in detail various types and uses of ESOPS. What are its advantages and disadvantages?	**07**
	(b)	What is Valuation? What are the factors to be considered for the valuation of a business?	**07**

OR

Q.4	**(a)**	In an Amalgamation, for the tax purposes, how are following treated? (1) Capital Gains (2) Carry forward \ Set of losses (3) Unabsorbed Depreciation	**07**
	(b)	Discuss in detail details the benefits of Merger as compared to Joint Venture	
Q.4			

Q.5 **Case Study** **14**

Acquisition of ETC Networks by Zee Telefilm Ltd.

18/2 /2002, Zee telefilm Limited. Acquired ETC network. ETC network was one of India's leading TV broadcaster with two very popular channel – 'ETC' and ETC Punjabi: 'ETC' was Indian number one music channel and ETC Punjabi was Indian number one channel in the Punjabi language. ETC network had exclusive worldwide right to telecast Gurbani (religion preaching) live from the Golden Temple, Amritsar for eleven years. The company also had good library of film rights. During the nine month period that ended on 31/12/2001, ETC had recorded turnover of Rs 233 million.

ZEE telefilms is Indian's largest vertically integrated media and entertainment company. It is the largest producer and aggregator of Hindi programs in the world with extensive Liberty housing television content, movie title and news content. Zee is also Indian's largest cable distributor through its wholly owned subsidiary 'Siti Cable '. Zee's channels are widely distributed across many countries especially for South Asian audiences. It is also significant player in the film production music publishing and education business. During the nine month period ending 31st December 2001, Zee had recorded a turnover of Rs 8.2 billion.

Question:

(1) What is merger? Differentiate between Merger and acquisition.
(2) What is the rationale for this deal?
(3) What are the post-Takeover impacts?
(4) Do you endorse this pattern of growth? It there a better alternative?

OR

Q.5 **14**

Case Study:

Calculation of EVA:

Following is the condensed income statement of a firm for the current year:

Particular	Rs in lacs
(i) Sales Revenue	1000.00
Less: Operating costs	600.00
Less: Interest cost	24.00
(ii) Earnings after taxes	376.00
Less: Taxes (0.4)	150.40
(iii) Earnings after taxes	225.60

The firm's existing capital consists of Rs.300 lac equity funds, having 15 percent cost and of Rs.200 lac 12 percent debt.

Determine the economic value- added during the year.

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