

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER-IV • EXAMINATION – SUMMER • 2014

Subject Code: 840201**Date: 23-05-2014****Subject Name: Corporate Restructuring****Time: 10.30 am - 13.30 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) “Merger and Acquisition are primarily a growth strategy.” Explain by citing different motives of Merger and Acquisition. **07**
- (b) What is corporate restructuring? What are the different forms of corporate restructuring? Explain the terms Mergers, Acquisitions, Consolidations and Joint Ventures with suitable examples. **07**

- Q.2** (a) Describe the provision relating to minimum offer price and mode of payment of consideration under SEBI Takeover code. **07**
- (b) What is buyback of shares? Why do companies go for it? Explain various modes in which buyback can be done. **07**

OR

- (b) Explain the tax implications for mergers and demergers with suitable examples. **07**
- Q.3** (a) What are the powers of high court with reference to reconstruction and amalgamations under section 394 of Companies Act? **07**
- (b) M Ltd wants to takeover N Ltd. **07**

Particulars	M Ltd	N Ltd
EAT	80 L	24 L
No. of Equity Shares	16 L	4 L
MPS	200	160

1. If the merger goes through by exchange of equity, ER is based on current price, what is new EPS of M Ltd.?
2. N Ltd. wants to be sure about its EPS that it should not be diminished by merger, what should be the ER?

OR

- Q.3** (a) According to AS – 14, amalgamations are of two types. Mention the conditions for qualifying any amalgamation in the nature of merger. What are the accounting treatments for the same? Explain with appropriate example. **07**
- (b) What are the tactics a company can use as a defense against threat of an acquisition? **07**

- Q.4** (a) What are the characteristics of LBO? Mention its process and rationale in detail. **07**
- (b) What are divestitures? Why do companies go for divestitures? **07**

OR

- Q.4** (a) What are ESOPs? Explain in detail various types and uses of ESOPs. **07**
- (b) What are the different objectives of CBA? Also narrate the difficulties faced by a company in Cross Border Acquisitions. **07**

- Q.5** (a) What are the different funding options available for Mergers and Acquisitions? **07**
- (b) Explain the different phases of valuation process of the target company. **07**

OR

Q.5 (a) Following are the balance sheets of A and B Ltd.

07

(Rs. in '000)

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Equity shares	5000	3000	Building	2500	1550
14% Preference Shares	2200	1700	Plant	3250	1700
General Reserve	500	250	Furniture	575	350
Export Reserve	300	200	Investment	700	500
Investor Allowance	600	100	Stock	1250	950
P & L Ac.	150	500	Debtors	900	1030
13% Debentures	500	350	Cash	725	520
Trade Creditors	450	350			
Other Liabilities	200	150			
	9900	6600		9900	6600

A Ltd. takeover B Ltd. on 10/04/2010. The deal is as follows:

1. Issue of 330000 equity shares of Rs.10 each at par to the equity shareholders of B Ltd.
2. Issue of 15% Preference Shares of Rs.100 each to discharge preference shareholders of B Ltd. at 10% premium.
3. The debenture holders of B Ltd. will be converted into equivalent number of debenture of A Ltd.
4. The statutory reserves of B Ltd. are to be carried forward for another 2 years.

Show the opening balance sheet of A Ltd after amalgamation on assumption that amalgamation is in the nature of merger.

- (b)** Briefly explain the procedure to be followed by a company planning for a merger. **07**
