

**VPM's**  
**DR VN BRIMS, Thane**  
**Programme: PGDM (2016-18)**  
**Fourth Trimester IV Examination September 2017**

<b>Subject</b>	<b>Mergers &amp; Acquisitions</b>		
<b>Roll No.</b>		<b>Marks</b>	<b>60 Marks</b>
<b>Total No. of Questions</b>	<b>7</b>	<b>Duration</b>	<b>3 Hours</b>
<b>Total No. of printed pages</b>	<b>2</b>	<b>Date</b>	<b>27.09.2017</b>

**Note:(a) Question 1 will be compulsory. (20 marks)**

**(b) Out of remaining questions any 4 questions to be answered.**

**All questions carry equal marks (10 marks each).**

1. X Ltd. wants to take over Y Ltd. and the financial details of both are as follows:  
(Rs.)

	X	Y
Preference share Capital	20,000	-----
Equity Share capital	1,00,000	50,000
Share premium	---	2,000
Profit & loss A/c	38,000	4,000
10 % Debentures	15,000	5,000
<b>Total</b>	<b>1,73,000</b>	<b>61,000</b>
Fixed Assets	1,22,000	35,000
Current Assets	51,000	26,000
<b>Total</b>	<b>1,73,000</b>	<b>61,000</b>
Profit After Tax & Pref. dividend	24,000	15,000
Market Price	24	27

What should be share exchange ratio to be offered to the shareholders of Y Ltd. based on

- (i) Net Assets Value
- (ii) EPS
- (iii) Market Price
- (iv) Justify with comments

2. L Ltd proposes to acquire S Ltd. On a share exchange ratio basis .Their selected data is given below:

Particulars	L Ltd	S Ltd.
Profit After Tax (Rs.in Lacs )	56 .00	21.00
No. of Shares	10.00	8.40
Earnings per share (Rs.)	5.60	2.50
Price-Earnings Ratio	12.50	7.50

- i. Calculate – (i) the market value per share (pre-merger)
  - ii. The Maximum exchange ratio that the L Ltd. should offer without the dilution of
    - (a) the EPS and
    - (b) the market value per share
  - iii. Provide justifications based on M& A concepts.
3. Firm S is studying the possible acquisition of firm T by way of merger. The following data is given in respect of the firms:

Data	S ltd	T ltd.
Earnings after tax (Rs.)	2,00,000	60,000
No. of Equity Shares	40,000	10,000
Market Value per Share (Rs.)	15	12

- (i) If the merger goes through exchange of equity shares and the exchange ratio based on the current market price, what is the EPS after merger for S?

- (ii) Firm T wants to be sure that the earnings available to its shareholders will not be diminished post-merger –What should be exchange ratio in that case?
- (iii) Justify the above based on M&A concepts

**4. Attempt any two (5x2=10)**

- i. Discuss the motives of Merger.
- ii. Explain briefly the strategies for merger
- iii. Discuss briefly the M&A types

**5. Attempt any two (5x2=10)**

- i. . (i) What is Due Diligence?
- ii. (ii) Discuss certain examples of Due Diligence
- iii. Briefly discuss the advantages and disadvantages of Due Diligence.

**6. Attempt any two (5x2=10)**

- i. Define Employee Stock Options (ESOP) .
- ii. (ii) Distinguish between Vesting period & lock in period in ESOP ,
- iii. Discuss disclosure requirements in ESOP.

**7. Attempt any two (5x2=10)**

- i. Discuss the process of Demerger
- ii. Elaborate financial evaluation of a Demerger proposal
- iii. Explain valuation of Shares in demerger.