



UNIVERSITY WITH A PURPOSE

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2021

Course: MERGER, ACQUISITIONS & CORPORATE RESTRUCTURING
Program: B.COM(HONS)
Course code: FINC2071
Instructions: Attempt all questions

Semester: 3RD
Time: 03 Hours
Max. Marks: 100

SECTION A (20 Marks)
Multiple choice questions

		Marks	CO
Q.1.	<p>1. Walt Disney's acquisition of ABC television network is an example of:</p> <p>(I) Horizontal merger (II) Vertical merger (III) Conglomerate merger (IV) Cross-border merger</p> <p>A) I only B) II only C) III only D) I and IV only</p> <p>2. Daimler-Benz's acquisition of Chrysler is an example of:</p> <p>(I) Horizontal merger (II) Conglomerate merger (III) Cross-border merger (IV) Vertical merger</p> <p>A) I only B) II only C) I and III only D) IV only</p> <p>3. Pfizer's acquisition of Pharmacia is an example of:</p> <p>(I) Horizontal merger (II) Vertical merger (III) Conglomerate merger</p> <p>A) I only B) II only C) III only D) None of the given ones</p> <p>4. The merger of J.P. Morgan and Bank One is an example of:</p> <p>(I) Cross-border merger (II) Horizontal merger (III) Conglomerate merger (IV) Vertical merger</p> <p>A) I only B) II only C) III only D) I and III only</p> <p>5. The following reasons are good motives for mergers except:</p>	2 X 10 = 20	CO1

	<p>(I) Economies of scale (II) Complementary resources (III) Diversification (IV) Eliminating Inefficiencies A) I only B) II only C) III only D) I, II, and IV only</p> <p>6. The following are good reasons for mergers: (I) Economies of scale (II) Economics of vertical integration (III) Complementary resources (IV) Surplus funds (V) Eliminating inefficiencies (VI) Industry consolidation A) I only B) I, II, and III only C) I, III, IV, and V only D) I, II, III, IV, V, and VI</p> <p>7. Firm A is planning to acquire Firm B. If Firm A prefers to make a cash offer for the merger it indicates that: A) Firm A's managers are optimistic about the post merger value of A B) Firm A's managers are pessimistic about the post merger value of A C) Firm A's managers are neutral about the post merger value of A D) None of the above</p> <p>8. The acquisition of stock has the advantage of: A) No shareholder meeting to vote is necessary B) Minority shareholders may exist C) Opening the bidding to others D) All of the above E) None of the above</p> <p>9. Compensation paid to top management in the event of a takeover is called a: A) Poison pill B) Golden parachute C) Self-tender D) Buyout</p> <p>10. A conglomerate merger is one in which a buyer buys a closely related firm. A) True B) False</p>		
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SECTION B

(20 Marks)

Q.2.	How's a merger different from an acquisition?	5	CO2
Q.3.	A company with a higher p/e acquires one with a lower p/e – state whether is this accretive or dilutive?	5	CO2
Q.4.	What is a successful acquisition?	5	CO2
Q.5.	In which type of merger a completely new firm is built and both the acquiring and the acquired firms cease to exist? OR	5	CO3

	If Microsoft were to acquire U.S. Airways, the acquisition would be classified as which type of merger?		
SECTION-C		(30 Marks)	
Q.6.	Given the case of an acquisition, what would you consider and why – the equity value or the enterprise value?	10	CO3
Q.7.	_____ merger is when a private company – to automatically become a publicly traded company, it buys a public company– and it does not have to undertake initial public offer. Explain the same.	10	CO3
Q.8.	Operating synergies are those synergies that allow firms to increase their operating income from existing assets, increase growth or both. We can categorize operating synergies into four types. Explain.	10	CO4
SECTION-D		(30 Marks)	
Q.9.	To avoid such hostile takeovers, the management opts some defence measures. These measures can be enacted either before the offer of the acquirer (Pre-offer) or after it (Post-offer). Illustrate pre and post takeover defence strategies.	15	CO4
Q.10.	Companies can grow in various ways, such as by increasing their workforce, launching new services or products, expanding marketing, or reaching new customers. However, the abovementioned growth methods are often less exciting to investors. Apart from rapid growth, synergistic acquisitions can offer other significant benefits such as economies of scale and increased market share. However, the acquisition of another company is a major decision that needs sound financial resources. List the popular acquisition financing structures that are available to companies.	15	CO4