



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

Course: Mergers and Corporate Restructuring
Program: B.Com (Hons.) Banking, Management and Insurance
Course Code: FINC3015

Semester : 5th
Duration : 03 hrs.
Max. Marks: 100

Instructions:

Q.No	Section A	10Qx2M=20Marks	COs
Q1	When Idea merged with Vodafone, what kind of merger was this? a) Vertical. b) Horizontal. c) Joint venture. d) Conglomerate.	2 Marks	CO1
Q2	What is a leveraged buyout? a) It is a type of joint venture. b) It is an acquisition in which a large acquirer has leverage through bargaining power over a small target. c) It is an acquisition which is funded from a relatively large amount of debt. d) It is an acquisition which is funded from a relatively low amount of debt.	2 Marks	CO1
Q3	Which of the following is not an anti-takeover defence? a) Hubris b) Greenmail c) Golden Parachute d) Scorched Earth	2 Marks	CO1
Q4	Which of the following is typically the most important synergy which is sought from M&A activity? a) Economies of scope from applying existing resources to new uses, at little additional cost. b) Revenue and marketing synergies from new, enhanced, or more efficient distribution. c) Economies of scale effects from organizational learning. d) Economies of scale from doing away with duplication of function between the two firms.	2 Marks	CO1
Q5	Financial motives for M&As do not relate to: a) tax shields b) earnings per share c) corporation tax d) value added tax e) None of above	2 Marks	CO1
Q6	Justifications for M&As do not include: a) to achieve synergy b) to increase risk c) to gain economies of scale	2 Marks	CO1

	d) to enter new markets		
Q7	Which region has the largest amount of Mergers and Acquisitions activity and has the longest history of this type of business activity? a) Continental Europe b) The UK c) The USA d) Japan and Korea	2 Marks	CO1
Q8	What is the most important fundamental reason for an acquiring company to acquire a target company? a) To acquire strategic options b) To gain economies of scale c) To maximize acquiring firm value d) To entrench management	2 Marks	CO1
Q9	Which of the following would not be acquired from a target company in the event of a takeover? a) Target company equity. b) Target company asset. c) Target company liabilities. d) Target company share price premium.	2 Marks	CO1
Q10	Which of the following is the correct formula for the additional cash flows from an acquisition? a) A+B+C-D b) A+B-C-D c) A-B+C-D d) A+B+C+D Where: The pre-tax profits of the acquired company: A Annual depreciation: B Profits from synergy benefits: C Taxation on profits: D	2 Marks	CO1
	Section B (Scan and upload)	4Qx5M= 20 Marks	
Q11	What is due-diligence?	5 Marks	CO2
Q12	Describe the Sherman and Clayton Acts.	5 Marks	CO2
Q13	What is synergy? Differentiate between Operating and Financial Synergies.	5 Marks	CO2
Q14	Describe the provisions of FEMA Act. Also describe relevant provisions of IT Act that affect M&As	5 Marks	CO2
	Section C (Scan and upload)	3Qx10M=30 Marks	
Q15	What are the different deal structures? Differentiate the asset and entity deals.	10 Marks	CO3
Q16	What are the different factors that may affect the M&A activity?	10 Marks	CO3

Q17	<p>What do you understand by the term goodwill? How do you value the goodwill?</p> <p>OR</p> <p>From the following information, calculate the value of goodwill: X Ltd. proposed to purchase the business of Mr. A. Goodwill for this purpose has been agreed to be valued at 3 years' purchase of the weighted average profits of the past 4 years. The weights to be used are</p> <p>2017-1; 2018-2; 2019-4;2020-5</p> <p>Profits for these years are: 2017-Rs.30,000; 2018- Rs.40,000; 2019-Rs. 50,000; 2020-Rs. 55000</p> <p>To cover the management costs an annual charge of Rs. 5,000 should be made for the purpose of goodwill valuation.</p> <p>Compute the value of goodwill of the company using Average Profit Method.</p>	10 Marks	CO3																																																
Section D (Scan and upload)		2Qx15M= 30 Marks																																																	
Q18	Describe the history of M&A waves. Also discuss the impact of covid-19 on M&A activity?	15 Marks	CO4																																																
Q19	<p>What are the different types of Amalgamation? Describe the methods of accounting for amalgamation with the important steps.</p> <p>OR</p> <p>Find the purchase consideration for the below case:</p> <p>The balance Sheet of X Co. Ltd and Y Co. Ltd as on 31st December 2020 are as follows</p> <table border="1" data-bbox="224 1507 1117 1990"> <thead> <tr> <th>Liabilities</th> <th>X Co Ltd.</th> <th>Y Co. Ltd.</th> <th>Assets</th> <th>X Co Ltd.</th> <th>Y Co. Ltd.</th> </tr> </thead> <tbody> <tr> <td>Share Capital</td> <td>3,00,000</td> <td>1,50,000</td> <td>Goodwill</td> <td>30,000</td> <td>20,000</td> </tr> <tr> <td>General Reserve</td> <td>50,000</td> <td>30,000</td> <td>Land and Building</td> <td>1,40,000</td> <td>75,000</td> </tr> <tr> <td>Profit and Loss Account</td> <td>50,000</td> <td>20,000</td> <td>Plant and machinery</td> <td>1,10,000</td> <td>50,000</td> </tr> <tr> <td>Sundry Creditors</td> <td>40,000</td> <td>15,000</td> <td>Stock</td> <td>60,000</td> <td>35,000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Sundry Debtors</td> <td>60,000</td> <td>20,000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Bank</td> <td>40,000</td> <td>15,000</td> </tr> <tr> <td>Total</td> <td>4,40,000</td> <td>2,15,000</td> <td>Total</td> <td>4,40,000</td> <td>2,15,000</td> </tr> </tbody> </table> <p>The two companies decided to amalgamate into a new company Z Co.</p>	Liabilities	X Co Ltd.	Y Co. Ltd.	Assets	X Co Ltd.	Y Co. Ltd.	Share Capital	3,00,000	1,50,000	Goodwill	30,000	20,000	General Reserve	50,000	30,000	Land and Building	1,40,000	75,000	Profit and Loss Account	50,000	20,000	Plant and machinery	1,10,000	50,000	Sundry Creditors	40,000	15,000	Stock	60,000	35,000				Sundry Debtors	60,000	20,000				Bank	40,000	15,000	Total	4,40,000	2,15,000	Total	4,40,000	2,15,000	15 Marks	CO4
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	<p>Ltd. which will take over assets and liabilities of these companies at the following terms:</p> <p>X Co. Ltd. Holders of each share of Rs. 30 each in the company, would receive 5 equity shares of Rs. 5 each fully paid and Rs. 5 in cash</p> <p>Y Co. Ltd. Holders of each share of Rs. 30 each in the company, would receive one 12% preference share of Rs. 10 each fully paid up and Rs. 10 in cash.</p>		
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