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Total No. of Questions : 9



MBAS 555

Sl.No. : 0232

**IV Semester M.B.A. Degree Examination, May 2018**

**BUSINESS ADMINISTRATION  
Corporate Financial Restructuring**

Time : 3 Hours

Max. Marks : 70

*Instruction : Answer all sections. Marks are indicated against each section*

**SECTION - A**

Note : Answer any TWO questions. Each question carries TEN marks. Answer to the question should not exceed 5 pages.

(2 × 10 = 20)

- Q1) Explain different forms of corporate restructuring with suitable example.
- Q2) Explain symptoms of sickness in the industry and which are the ways of overcoming the sickness?
- Q3) What are the different forms of demerger? Differentiate between demerger and reconstruction.

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**SECTION - B**

Note : Answer any THREE questions. Each question carries TWELVE marks. Answer to the question should not exceed 6 pages.

(3 × 12 = 36)

- Q4) Explain different methods of funding mergers and acquisition. Which one do you think is most preferred method of funding mergers and acquisition? Discuss.
- Q5) Explain the concept Buyback of Shares. Discuss the Government's guidelines, procedure and practice for Buyback of Shares.

Q6) Gama Ltd. is taking over Theta Ltd. The shareholders of Theta Ltd. has been issued 0.8 shares of Gama Ltd. for each share held by them. The relevant data are as follows:

Particulars	Gama	Theta
Net sales in crore	Rs.335	Rs.118
PAT in crore	Rs.58	Rs.12
No. of shares crore	12	3
EPS	4.83	4
MPS	30	20
PE ratio in times	6.21	5

Calculate EPS and MPS after merger.

Q7) Dev Ltd. is acquiring business of Anand Ltd and form a new entity Devanand Ltd. Before merger the details are as follows:

Dev Ltd. : PAT Rs.125 crore, No of shares 10 crore, PE ratio 16 times

Anand Ltd. : PAT Rs. 45 crore, No of shares 5 crore, PE ratio 10 times

Dev Ltd. agrees to acquire Anand Ltd. by exchanging Rs. 125 worth share.

Determine:

- a) Exchange ratio and number of shares exchanged, combined EPS, PE ratio.
- b) Combined EPS, if PE of Dev Ltd. remains constant.

Q8) Suppose an analyst has gathered the following information on the target company, the XYZ Company:

XYZ Company		Average of Comparables	
Earnings	\$ 10 million	P/E of comparables	30 times
Cash flow	\$ 12 million	P/CF of comparables	25 times
Book value of equity	\$50 million	P/BV of comparables	2 times
Sales	\$100 million	P/S of comparables	2.5 times

If the typical takeover premium is 20%, what is the XYZ Company's value in a merger using the comparable company approach?



SECTION-C

(Compulsory)

Note : This question carries FOURTEEN marks. Answer to the question should not exceed 6 pages.

[1 × 14 = 14]

Q9) XYZ Ltd. wants to purchase ABC Ltd. by exchanging 0.7 of its shares for 1 share.

Financial data of XYZ Ltd: No. of shares 10 lakh, EPS Rs. 40, MPS Rs.250, PE ratio 6.25 times.

financial data of ABC Ltd: No. of shares 4 lakh, EPS Rs. 28, MPS Rs. 160, PE ratio 5.714 times.

**Questions:**

- a) Illustrate the impact of merger on EPS of both the companies.
- b) The ABC Ltd's management has quoted exchange ratio of 1:1 for the merger. Assuming the PE ratio of XYZ Ltd will remain unchanged after the merger, what will be the gain from merger?
- c) Determine maximum stock exchange ratio acceptable to the shareholders of XYZ Ltd.

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