



## IDEA INSTITUTE OF MANAGEMENT & TECHNOLOGY

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### Mergers & Acquisitions

9:00am to 11:00am

Semester – III (FIN)

June 13, 2010

#### SECTION A (ONE MARKS)

(1) \_\_\_ is the person or group that provides the capital to the MLP and receives periodic income distributors from the MLP's cash flow.

- (a) General partner
- (b) limited partners
- (c) Both a and b
- (d) None of the above

Answer : B

(2) What is the features of equity carve outs?

- (a) non new set of shareholders
- (b) no cash inflow to the parent company
- (c) there is a formation of a new company
- (d) None of the above

Answer : D

(3) What is the human resources management issues involved in merging?

- (a) board-level changes
- (b) choosing the right people for the right position
- (c) management and workforce redundancy
- (d) all of the above

Answer : D

(4) What is the main fundamental questions that is useful to value the synergy?

- (a) will it reduce cots a percentage of sales and increase profit margins
- (b) will it increase future growth
- (c) when will synergy start affecting cash flows
- (d) all of the above

Answer : D

(5) \_\_\_\_\_ is the predetermined rate of return expected by an investor.

- (a) market value of listed stocks
- (b) capitalized earnings
- (c) earnings per share
- (d) investment value

Answer : B

(6) It is the merger of two or more companies producing unrelated products.

- (a) Vertical merger
- (b) Lateral mergers
- (c) Conglomerate mergers
- (d) Horizontal mergers

Answer : C

(7) \_\_\_\_\_ is realized by better utilization of facilities, personnel, and economies in purchasing etc.

- (a) Operating synergy
- (b) Management synergy

- (c) Investment synergy  
(d) marketing synergy

Answer : A

- (8) One or more companies may merge to form a new company.  
(a) merger  
(b) amalgamation  
(c) consolidation  
(d) combination

Answer : B

- (9) What are the various methods of merging companies in equity share financing?  
(a) one company takes ownership of the other  
(b) a third company is created which takes ownership of both companies  
(c) Both a and b  
(d) None of the above

Answer : C

- (10) Arrange the following steps in order as they are in the 5-S model:  
(i) deal structuring and negotiation (ii) corporate strategy development (iii) organizing for acquisitions (iv) post-acquisitions integration  
(a) ii, iii, i, iv  
(b) i, ii, iii, iv  
(c) iv, ii, iii, i  
(d) ii, iii, iv, i

Answer : A

- (11) Which of the following is a correct statement regarding M&A?  
(a) should take place within the framework of long-range planning by business firms  
(b) involve the future of the firm  
(c) useful to understand the planning prices involved in mergers  
(d) all of the above

Answer : D

- (12) How to determine the consideration amount to be paid in merger/ acquisition deal?  
(a) By valuing the target company alone  
(b) By valuing the acquiring company  
(c) By valuing both the target company & the acquiring company  
(d) By valuing the acquiring company & other companies of the same size in the industry

Answer : C

- (13) \_\_\_\_\_ occurs when a firm acquires or creates a company that supplies the firm the raw materials or components & other inputs.  
(a) Forward vertical integration Incorrect  
(b) Backward integration  
(c) Horizontal combination  
(d) Conglomerate Mergers.

Answer : B

The primary motive of the seller in Mergers is:

- (a) To reduce competition by purchasing a competitor
- (b) To acquire a needful resources quickly-high quality tech, management
- (c) To help diversify the owning family's holdings beyond the present firm.
- (d) To diversify the product line when the current products have reached their

peak in the life cycle.

Answer : C

(15) Amalgamation in the nature of \_\_\_\_\_ is an amalgamation which does not satisfy anyone or more of the conditions specified in sub-paragraph (e) of Companies Act, 1956

- (a) Nature of purchase
- (b) Nature of takeover
- (c) Nature of merger
- (d) Nature of LBO

Answer : A

(16) What does Takeover implies?

- (a) It implies acquisition of controlling interest in a company by another company by taking over
- (b) the shares listed on any stock exchange.
- (c) the assets of the acquired company
- (d) the assets & Liabilities of the acquired company
- (e). the capital of the acquired company

Answer : B

(17) What is the commercial strategies for defense in face of takeover bid?

- (a) dissemination of favorable information among shareholders
- (b) reorganization of capital structure
- (c) Both a and b
- (d) None of the above

Answer : C

(18) Here the company issues convertible securities, which is converted in to shares.

- (a) golden parachute
- (b) poison pills strategy
- (c) green mail
- (d) poison put

Answer : B

(19) \_\_\_\_\_ means the company into which a transferor company is amalgamated.

- (a) Transferor company
- (b) amalgamation
- (c) transferee company
- (d) reserve

Answer : C

(20) Merger and acquisition could be regarded as a \_\_\_\_\_

(A) Dynamic response to the changes in ever changing political, sociological and technological context.

(B) Multi stage process where each stage giving rise to distinct problems and challenges to companies understanding transaction.

(C) A good understanding of external context in which merger and acquisition take place

(D) As only a source of increasing profitability

(a) A only

(b) A and D only

(c) A, B, C only

(d) All of the above

Answer : C

(C) SECTION B

(21) What is the criticism if LBO form of restructuring?

(a) heavy deployment of Debt

(b) employees of target company is threatened of losing their jobs

(c) degree of bankrupts is more

(d) all of the above

Answer : D

(22) What is the points to be considered for the purpose of a buyout from the manger's point of view?

(a) to save their jobs

(b) to maximize the financial benefits they receive from the success they bring to the company by taking the profits for themselves

(c) Both a and b

(d) None of the above

Answer : C

(23) Under this method, the purchase consideration is calculated with reference to the value of shares of two companies involved.

(a) lump-sum method

(b) Payment method

(c) Net asset method

(d) value of shares method

Answer : D

(24) Which of the following is correct in the context of external mergers?

(a) Through the process of introducing or developing new products

(b) By acquisitions of existing business firms in the firms of mergers.

(c) Both a and b

(d) None of the above

Answer : B

(25) What is the ways through which MBO generates value to corporate?

(a) provides an excellent opportunity for management of undervalued companies to realize the intrinsic value of the company

(b) lower agency cost

(c) source of tax savings

(d) all of the above

Answer : D

(26) What is the features of equity carved out?

(a) resembles to initiate public offering of some portion of the common stock of a wholly owned subsidiary by the parent company

(b) is a strategic avenue a parent firm may take when one of its subsidiaries is growing faster and carrying higher valuations than other business owned by the parent

(c) companies carve-out a subsidiary not because it's doing well, but because it is a burden

(d) all of the above

Answer : D

(27) Financing of merger and acquisition involve payment of consideration in.

(a) Cash only

(b) Exchange of shares

(c) Investments

(d) cash / exchange of shares / Combination of both cash and share exchange

Answer : A

(28) What is the conditions to be satisfied by the amalgamation in the nature of merger?

(a) all the assets and liabilities of the transferor company become after amalgamation, the assets and liabilities of the transferee company

(b) the business of the transferor company is intended to be carried on, after the amalgamation, by the transferee company

(c) Both a and b

(d) none of the above

Answer : C

(29) Who has the powers to sanction or reject any scheme of compromise or arrangement ?

(a) The board of director

(b) The government

(c) The court

(d) The leaders

Answer : C

(30) What is the regulations made by SEBI regarding techniques of mandatory bid?

(a) for acquisitions of 15% or more of the share or voting rights

(b) for acquiring additional shares or voting rights to the extent of 10% or more shares

(c) Both a and b

(d) None of the above

Answer : C

(31) \_\_\_\_\_ is a process through which capital structure is changed, labour readjustment is made, technology up gradation takes place etc

(a) Demerger

(b) Acquisition

(c) Merger

(d) Restructuring

Answer : D

( ) SECTION C

Arrange the following in the order:

(i) computation of decrease in present value of the selling firm (ii) multiply by appropriate cost of capital factor relevant to division (iii) computation of decrease in cash flow after tax due to sale of division (iv) present value lost due to sale of division

- (a) iii, ii, i, iv
- (b) iv, ii, iii, i
- (c) i, ii, iii, iv
- (d) None of the above

Answer : A

(33) Match the following: 1. Formed by the combination of two or more a. liquidation MLP partnership into one publicly traded partnership 2. Formed by a complete liquidation of a corporation b. roll up MLP into an MLP 3. Formed by an offering of MLP interest to the c. sign up MLP public with the proceeds used to purchase assets 4. Formed by partnership that is initially privately held but later offers its interests to the public in order to finance internal growth d. acquisition MLP

- (a) 1-b,2-a,3-d,4-c
- (b) 1-b,2-a,3-c,4-d
- (c) 1-a,2-b,3-d,4-c
- (d) 1-a,2-b,3-c,4-d

Answer : A

(34) Arrange the following in the order as they is required in the evaluating a company's cash flow: (i) analyze the investments necessary to buy new property or business (ii) analyze operating activities (iii) project the annual operating flows and terminal value of the firm (iv) analyze the capital requirements of the firm

- (a) iii, ii, i, iv
- (b) ii, i, iv, iii
- (c) iv, iii, ii, i
- (d) None of the above

Answer : B

(35) Match the following: 1. Theory says that if a firm is merged with or a. Financial theory taken -over by another firm with better managerial efficiency, the overall managerial efficiency will be improved to the level of the effecting firm. 2. Theory postulates that the purpose of mergers b. Operating theory and acquisitions is to improve liquidity and have direct access to cash resources. 3. Theory postulates the reason for M&A is the c. Managerial synergy of resultant operating synergy operating economies mergers of scale

- (a) 1-c, 2-a, 3-b
- (b) 1-a, 2-b, 3-c
- (c) 1-c, 2-b, 3-a
- (d) 1-b, 2-a, 3-c

Answer : A

(36) Given EPS RS.10, PE ratio 2, the Market price of share is

- (a) 30
- (b) 20
- (c) 35
- (d) 12

Answer : B

Methods of Accounting for Amalgamations

- (a) The Pooling of Interest method and Payment Method
- (b) The purchase method and Lump sum Method
- (c) Consideration method and purchase method
- (d) The pooling of interest method and the purchase method

Answer : B

(38) How are the properties valued and transferred from demerged company to resulting company?

- (a) At current values immediately before the demerger
- (b) At book values immediately before the demerger
- (c) At current values immediately after the demerger
- (d) At book values immediately after the demerger

Answer : C