

M.Com. HPP (FFS) Semester-4 Examination

CC-18

Corporate Restructuring

April-2023

Time : 2-30 Hours]

[Max. Marks : 70

Q-1 Explain Corporate restructuring in brief. **(14)**

OR

Q-1 Explain Mergers. Also state the difference between acquisitions and mergers. **(14)**

Q-2 Explain the issues involved in Merger and acquisitions. **(14)**

OR

Q-2 What are the due diligence to be followed in case of corporate restructuring. **(14)**

Q-3 Explain Employee Stock Option Plan. Also state the difference between ESOPs and Sweat Equity Shares. **(14)**

OR

Q-3 Explain Buy back of shares. Also state the maximum limit of buy back that can be done by a company. **(14)**

Q-4 What is demerger? Explain the procedure involved in it. **(14)**

OR

Q-4 What is Takeover? State the price at which the shares will be acquired by the acquirer. **(14)**

Q-5 MCQs (Any 7 out of 12) **(14)**

1. An agreement between firms to create a separate, co-owned entity established to pursue a joint goal is called a:

- (a) consolidation.
- (b) strategic alliance.
- (c) joint venture.
- (d) merged alliance.

2. The benefit associated with the combination of two firms through a merger or acquisition is called:

- (a) the agency conflict.
- (b) the merger cost.
- (c) the consolidation effect.
- (d) synergy.

3. The sale of a portion of a firm's assets, operations, or divisions to a third party is referred to as a:

- (a) liquidation.
- (b) divestiture.
- (c) merger.
- (d) allocation.

4. The sale of stock in a wholly owned subsidiary via an initial public offering is referred to as
- (a) split-up.
 - (b) equity carve-out.
 - (c) counter tender offer.
 - (d) white knight transaction.
5. The distribution of shares in a subsidiary to existing parent company stockholders is called
- (a) lockup transaction.
 - (b) bear hug.
 - (c) equity carve-out.
 - (d) spin-off.
6. Which one of the following statements correctly applies to a legally defined merger?
- (a) The acquiring firm retains its identity and absorbs only the assets of the acquired firm.
 - (b) The acquired firm is completely absorbed and ceases to exist as a separate legal entity.
 - (c) A new firm is created which includes all the assets and liabilities of the acquiring firm plus the assets only of the acquired firm.
 - (d) A new firm is created from the assets and liabilities of both the acquiring and acquired firms.
7. In a merger the:
- (a) legal status of both the acquiring firm and the target firm is terminated.
 - (b) acquiring firm retains its name and legal status.
 - (c) acquiring firm acquires the assets but not the liabilities of the target firm.
 - (d) stockholders of the target firm have little, if any, say as to whether or not the merger occurs.
8. If Children's Wear were to acquire Kid's Clothing, the acquisition would be classified as a ___ acquisition.
- (a) horizontal
 - (b) longitudinal
 - (c) conglomerate
 - (d) vertical
9. 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.
10. The restructuring of a corporation should be undertaken if
- (a) the restructuring can prevent an unwanted takeover.
 - (b) the restructuring is expected to create value for shareholders.

(c) the restructuring is expected to increase the firm's revenue.

11. In the long run, a successful acquisition is one that:

(a) enables the acquirer to make an all-equity purchase, thereby avoiding additional financial leverage.

(b) enables the acquirer to diversify its asset base.

(c) Increases the market price of the acquirer's stock over what it would have been Without the acquisition.

(d) Increases financial leverage.

12. A tender offer is

(a) a goodwill gesture by a "white knight."

(b) a would-be acquirer's friendly takeover attempt.

(c) a would-be acquirer's offer to buy stock directly from shareholders.

(d) viewed as sexual harassment when it occurs in the workplace.
