

M.Com. HPP (FFS) Sem.-4 Examination**CC-18****Corporate Restructuring****April-2025****[Max. Marks : 70]****Time : 2-30 Hours]****Q.1****(A) Explain Horizontal Merger and Conglomerate Merger.****(B) Explain the motives of Mergers and Acquisitions.**

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OR**Q.1****(A) Explain the advantages of Merger and Acquisitions.****(B) Explain Vertical Merger and Reverse Merger.**

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Q.2**(A) A financial analyst has been asked to appraise Moon Ltd. a Pharma company in terms of the future cash generating capacity. He has projected the following after -tax cash flows:**

Year	1	2	3	4	5
Cash Flows (₹)	52,000	96,000	1,28,000	1,72,000	2,34,000

It is further estimated that beyond 5th year, cash flows will perpetuate at a constant growth rate of 7% per annum, mainly on account of inflation. The cash flows beyond 5th year are estimated at ₹2,52,000 perpetually.

Additionally, the following information are available:

(i) The cost of capital is 20%.**(ii) The company has outstanding debt of ₹3,00,000.****(iii) The number of outstanding shares of the company is 25,000.**

Requirements:

(i) What is the value of Moon Ltd. in terms of expected future cash flows?**(ii) Calculate the value of shareholders.**

(PV factors at 20% for years 1 to 5 respectively: 0.833, 0.694, 0.579, 0.482, 0.402).

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(B) Mohan Ltd has earned a net profit of ₹ 15,00,000 after tax at 40%. Interest cost was ₹ 10,00,000. The invested capital is ₹ 95,00,000 of which 45% is equity.

The company maintains a weighted average cost of capital of 13%.

Required:

(a) Compute the operating income.**(b) Compute the Economic Value Added (EVA).****(c) Mohan Ltd. has 6,00,000 equity shares outstanding. How much dividend can the company pay before the value of the entity starts declining?**

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OR**Q.2****(A) Explain framework of Corporate Valuation.****(B) Explain Asset based and Relative valuation Approaches of corporate valuation.**

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Q.3

(A) The following scheme of reconstruction has been approved for Vinzo Ltd.:

- (i) The shareholders will receive in lieu of their current holdings at 1,50,000 shares of ₹ 10 each, the following:
 - a) New fully paid ₹ 10 equity shares equal to $\frac{3}{5}$ th of their holdings.
 - b) ₹ 2,00,000 8% Debentures.
- (ii) Machinery was written down by ₹ 25,000.
- (iii) Building stood at ₹ 2,50,000 was written down to ₹ 2,10,000.
- (iv) Debenture holders accepted to receive the followings in lieu of their present 10% Debentures of ₹ 2,50,000.
 - a) $\frac{1}{5}$ th of the total to be paid in cash.
 - b) To take over the building at ₹ 1,25,000

Pass the necessary journal entries in the books of Vinzo Ltd. for the above transactions (Narration is not required). 7

(B) Company A is contemplating the purchase of company B. Company A has 6,00,000 Shares having a market price of ₹ 60 per share, while company B has 4,00,000 shares selling at ₹ 40 per share. The EPS are ₹ 8.00 and ₹ 4.50 for company A and B respectively. Managements of both companies are discussing two alternative proposals for exchange of shares as indicated below:

- (i) In proportion to the relative earnings per share of two companies.
- (ii) 0.5 Share of Company A for one share of company B (0.5:1)

You are required to calculate the earnings per share (EPS) after merger under two alternatives. 7

OR

Q.3 The following were the balance sheets of Venu Ltd. and Pari Ltd. as on 31-03-2025:

Balance Sheet of Venu Ltd.

Equity and Liabilities	₹	Assets	₹
Equity shares of ₹ 10 each ₹ 7.50 paid up	6,00,000	Land & building	6,00,000
General reserve	3,00,000	Plant	5,00,000
Profit and loss A/c.	1,00,000	Inventory	3,00,000
Workers profit sharing fund	1,00,000	Trade Receivables	1,60,000
10% Debentures	2,00,000	Preliminary expenses	40,000
Trade Payables (Including ₹ 50,000 due to Pari Ltd.)	3,00,000		
	16,00,000		16,00,000

Balance Sheet of Pari Ltd.

Equity and Liabilities	₹	Assets	₹
Equity shares of ₹ 10 each ₹ 5 paid up	6,00,000	Land & building	3,00,000
10% Debentures	3,00,000	Plant	2,00,000
Trade Payables	2,00,000	Investments	1,10,000
		Inventory	2,00,000
		Trade Receivables (Including ₹50,000 due by Venu Ltd.)	1,70,000
		Preliminary expenses	20,000
		Profit and Loss A/c	1,00,000
	11,00,000		11,00,000

On 1-4-2025 Venu Ltd. agreed to absorb Pari Ltd. on the following conditions:

- (i) Inventory of Pari Ltd. includes goods worth ₹ 60,000 purchased from Venu Ltd., which was sold by them charging 20% profit on cost.
- (ii) Plant and Investments of Pari Ltd. were agreed to be taken over at ₹ 2,50,000 and ₹ 60,000 respectively.
- (iii) The purchase consideration was to be satisfied by issue of necessary equity shares of Venu Ltd. in exchange of equity shares of Pari Ltd., on the basis of intrinsic value of their shares.

Prepare necessary ledger accounts in the books of Pari Ltd. and pass necessary journal entries in the books of Venu Ltd.

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Q.4

(A) Explain takeover strategies.

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(B) Explain Leveraged Buyout (LBO).

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OR

Q.4 The following information is relating to MUL India Ltd. having two division, viz. Metal Division and Paint Division. Paid up share capital of MUL India Ltd. is consisting of 12,000 Lakhs equity shares of ₹ 1 each. MUL India Ltd. decided to de-merge Metal Division as MUL Metal Ltd. w.e.f. 1.4.2025. Details of MUL India Ltd. as on 31.3.2025 and of MUL Metal Ltd. as on 1.4.2025 are given below:

Particulars	MUL Metal Ltd. (₹ in Lakhs)	MUL India Ltd. (₹ in Lakhs)
Non-current liabilities	12,400	80,000
Current Liabilities	4,000	20,000
Tangible Fixed Assets	26,800	76,000
Investments	4,160	5,600
Current Assets	69,440	1,98,400

Board of Directors of the Company have decided to issue necessary equity shares of MUL Metal Ltd. of ₹1 each, without any consideration to the shareholders of MUL India Ltd.

For that purpose, following points are to be considered:

- (i) Transfer of Liabilities & Assets at Book value.
- (ii) Estimated Profit for the year 2025-26 is ₹ 45,600 Lakhs for MUL India Ltd. and ₹ 5,880 lakhs for MUL Metal Ltd.
- (iii) Estimated Market Price of MUL Metal Ltd. is ₹ 24.50 per share.
- (iv) Average P/E Ratio of Paint sector is 42 & Metal sector is 25, which is to be expected for both the companies.

Calculate:

- (i) The Ratio in which shares of MUL Metal are to be issued to the shareholders of MUL India Ltd.
- (ii) Expected Market price of MUL India Ltd.
- (iii) Book Value per share of both the Companies immediately after Demerger.

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(P.T.O)

Q.5 Select the appropriate alternative: (Attempt any Seven out of given)

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- (1) EV approach stands for:
 - (a) Earning Value approach
 - (b) Earning volume approach
 - (c) Enterprise value Approach
 - (d) None of the above
- (2) Which is not a Relative valuation model?
 - (a) Revenue or Sales multiples
 - (b) P/E
 - (c) Market multiples
 - (d) P/BV
- (3) SGR stands for:
 - (a) Steady growth rate
 - (b) Single growth rate
 - (c) Sustainable growth rate
 - (d) none of the above
- (4) Economic value added= _____
 - (a) NOPAT-Cost of Capital
 - (b) PAT- Cost of Capital
 - (c) EBIT- Cost of Capital
 - (d) None of the above
- (5) SVA means:
 - (a) Shareholders value added
 - (b) Strong value added
 - (c) Stable value added
 - (d) None of the above
- (6) Gordon growth model considers _____ growth rate.
 - (a) Fluctuating
 - (b) Constant
 - (c) Both Fluctuating and Constant
 - (d) None of the above
- (7) _____ is not a method for valuing start up.
 - (a) Berkus approach
 - (b) Cost-to-duplicate approach
 - (c) Stable growth approach
 - (d) None of the above
- (8) Conglomerate Merger is a merger of _____ companies:
 - (a) Same line business
 - (b) Unrelated business
 - (c) Competitor business
 - (d) None of the above

- (9) One of the followings is not a Motive of Merger:
- (a) Diversification
 - (b) Create synergy
 - (c) Growth
 - (d) None of the above

- (10) Internal reconstruction is also termed as _____:
- (a) Capital appreciation
 - (b) Capital reduction
 - (c) Both (a) & (b)
 - (d) None of the above

- (11) The following is the takeover strategy:
- (a) Poison put
 - (b) Strategic Alliance
 - (c) Poison pill
 - (d) None of the above

- (12) The following is the defensive takeover tactic:
- (a) Brand Power
 - (b) Strategic Alliance
 - (c) Poison pill
 - (d) None of the above

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