

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) – 201306

**POST GRADUATE DIPLOMA IN MANAGEMENT (2020-22)
END TERM EXAMINATION (TERM -IV)**

Subject Name: **Corporate Restructuring & Business Valuation**

Time: **02.30 hrs**

Sub. Code: **PGF-07**

Max Marks: **60**

Note:

1. All questions are compulsory. Section A carries 10 marks: 5 questions of 2 marks each, Section B carries 30 marks having 3 questions (with internal choice question in each) of 10 marks each and Section C carries 20 marks one Case Study having 2 questions of 10 marks each.

SECTION - A

Attempt all questions. All questions are compulsory.

2×5 = 10 Marks

Q. 1: (A). Suppose that the market price of Company X is \$90 per share and that of Company Y is \$60. If X offers three-fourths a share of common stock for each share of Y, what would be the ratio of exchange of market prices?

Q. 1: (B). Discuss Horizontal Merger with suitable examples.

Q. 1: (C). Comment on the Business synergy after the acquisition of Flipkart by Wal-Mart.

Q. 1: (D). When is Divestment suitable for a company? Discuss

Q. 1: (E). Differentiate Spin off and Split up, stating example of each.

SECTION - B

All questions are compulsory (Each question has an internal choice. Attempt any one (either A or B) from the internal choice)

03×10 = 30 Marks

Q. 2: (A). What were the reasons behind Byju's recent acquisition of White Hat Jr.? Would you consider it a good move? Discuss.

Or

Q. 2: (B). How Horizontal merger is different from Vertical Merger. Explain with suitable examples.

Q. 3: (A). The following information is provided related to the acquiring firm A Ltd. and the target firm T Ltd:

Particulars	Firm A Ltd	Firm T Ltd
PAT (Rs lakh)	1,000	200
Number of shares outstanding (in lakh)	100	50
EPS (Rs)	10	4
P/E ratio (times)	10	5
MPS (Rs)	100	20

- (a) What is the swap ratio based on current market prices?
 (b) What is the EPS of A Ltd after acquisition?
 (c) What is the expected market price per share (MPS) of A Ltd after acquisition, assuming P/E ratio of Firm A remains unchanged.

Or

Q. 3: (B). Free cash flow estimation methods can be categorized as; Free Cash Flow to the Firm (FCFF) and Free Cash Flow to Equity (FCFE). Write down the equation of FCFF and FCFE starting from the EBIT and discuss what do you understand by FCFF and FCFE?

Q. 4: (A). Defend your company against a hostile takeover bid by critically analyzing and discussing Pac-Man Defense and Crown Jewel Defense strategies.

Or

Q. 4: (B). Analyze and discuss the pros and cons of the poison pill and Golden Parachute Defense strategies against hostile takeover bids.

SECTION - C

Read the case and answer the questions

10×02 = 20 Marks

Q. 5: Case Study:

The following are the projected cash flows to equity and to the firm over the next five years:

Year	CF to Equity	Int (1-t)	CF to Firm
1	375	135	510
2	393.75	141.75	535.5
3	413.445	148.845	562.29
4	434.115	156.285	590.4
5	455.82	164.1	619.92

The firm has a cost of equity of 15% and a cost of debt (pre-tax) of 8%. The tax rate applicable to the company is 25% and the debt to equity ratio is 1:1. If the Cash flow is expected to grow at 5% perpetuity, answer the following questions:

- i) Find out the terminal value of equity and firm at the end of 5th Year.
- ii) What is the value of the equity in this firm?
- iii) What is the value of the firm?

Mapping of Questions with Course Learning Outcome

Question Number	COs
Q. 1	CO-1
Q. 2:	CO-2
Q. 3:	CO-2
Q. 4:	CO-3
Q. 5:	CO-3

Note: Font: Times New Roman, Font size: 12.