Roll No…………

GL BAJAJ Institute of Management & Research Greater Noida

FIND YOUR SPARK

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

POST GRADUATE DIPLOMA IN MANAGEMENT (2024-25)
MID TERM EXAMINATION (TERM -II)

Subject Name: Corporate Finance	Time: **01.00 hrs**
Sub. Code: PG26	Max Marks: **20**

Note: All questions are compulsory. Each Case Study having 2 questions of 5 marks each.

Read the case and answer the questions **5×02 = 10 Marks**

Questions	CO	Bloom's Level
Case Study 1: In 2022, Elon Musk, CEO of Tesla and SpaceX, announced his intention to buy Twitter (now known as "X") for $44 billion, offering $54.20 per share, a premium of about 38% above Twitter's trading price at the time of the offer. Musk's initial offer was welcomed by shareholders, as it promised immediate financial gain and was seen as a potential catalyst for growth on the platform. Musk emphasized his vision to champion free speech, reduce bot activity, and make Twitter a more open platform. However, after making his initial offer, Musk raised concerns regarding Twitter's transparency on spam and bot account numbers, which he claimed were higher than Twitter disclosed. He publicly criticized Twitter's management and questioned the accuracy of the reported figures, suggesting that he might back out of the deal if Twitter failed to verify its data. This uncertainty caused Twitter's share price to fluctuate, falling as low as $32.65 per share in July 2022—substantially lower than Musk's offered price. The volatility sparked concerns among shareholders, who feared that Musk might be using this as a strategy to renegotiate a lower price, thus reducing the wealth they would gain from the acquisition. Twitter's board and shareholders took legal action, filing a lawsuit to compel Musk to follow through with the original offer. The board argued that Musk's erratic approach and public criticisms were harming the company's reputation, adding to instability, and impacting stock value. The Delaware Court of Chancery became involved, and Musk ultimately agreed to proceed with the acquisition at the original price of $54.20 per share in October 2022. **Case Questions:** **1.** Which problem is highlighted between a prospective controlling owner and shareholders in handling of the Twitter acquisition by Elon Musk? In what ways did Musk's actions reflect potential conflicts between his goals and the best interests of Twitter's shareholders? **(5 marks)** **2.** Evaluate the actions of Twitter's board in insisting that Musk complete the acquisition at the initially agreed price of $54.20 per share. Were the board's actions aligned with the goal of wealth maximization for Twitter's shareholders? Why or why not?**(5 marks)**	CO1	L4

Read the case and answer the questions **5×02 = 10 Marks** **Case Study 2:** Mr. Sharma, age 35, is planning for his retirement and seeks your guidance as a financial advisor. He wishes to retire in 25 years and has certain financial objectives he wants to achieve by then. **Retirement Fund Goal**: Mr. Sharma aims to have a retirement fund that will allow him to withdraw Rs 800,000 annually for 20 years, starting one year after his retirement at age 60. He expects the retirement fund to earn an average annual return of 8% during his retirement years. **Savings Plan**: Mr. Sharma currently has Rs 200,000 saved and plans to save an additional Rs 100,000 at the end of each year for the next 25 years, earning an average return of 10% on his investments. Given these objectives, Mr. Sharma wants to ensure he has sufficient funds to meet his retirement goal. **Case Questions:** 1. Calculate the future value of Mr. Sharma's annual savings (Rs 100,000) at the end of 25 years if his investments earn an average return of 10% per year. Will this future value be sufficient to meet his retirement goal?**(5 marks)** 2. Determine the present value of Mr. Sharma's planned withdrawals (Rs 800,000 per year for 20 years) at the time of his retirement, assuming an 8% return rate during retirement. How much does Mr. Sharma need to save in total to achieve this target?**(5 marks)**	CO2	L3, L4

Kindly fill the total marks allocated to each CO's in the table below:

COs	**Marks Allocated**
CO1	10 Marks
CO2	10marks