SEMESTER IV

MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING

Programme: M.Com (Applied Finance) **Max Marks: 100**
Course Code: P20/COM/DSC/402 **Max Hours: 75**
Type of course: DSC **Hours per week: 5 hrs**
No. Of Credits: 4

Course Objective:

The objective of this course is to build awareness and basic knowledge of how mergers and acquisitions happen. This course will help them to understand the procedure of implementation from proposal through valuation to integration.

Course Outcomes:

CO1: Acquire conceptual understanding of Mergers
CO2: Know about strategic perspective & strategic approaches to M & A.
CO3: Become aware of the concept of Corporate Restructuring and its methods
CO4: Know about the Merger Process and process of merger intergtation
CO5: Know about various Valuation Approaches
CO6: Know about the methods of financing mergers.
CO7: Become aware of the Takeover process, Takeover defenses in detail
CO8: Evaluate the issues involved in takeover process and identify areas of reform.
CO9: Become aware of the Legal and regulatory framework of M & A
CO10: Know about the Taxation and Accounting aspects of Mergers and Acquisitions.

MODULE I – INTRODUCTION: (15 Hrs)

Mergers-in the nature of acquisitions and amalgamations, types of merger – motives behind mergers – theories of mergers – operating, financial and managerial synergy of mergers – value creation in horizontal, vertical and conglomerate mergers – internal and external change forces contributing to M&A activities- understanding cross border acquisitions
M&A - strategic perspective- industry life cycle and product life cycle analysis in M&A decision, strategic approaches to M&A- SWOT analysis, BCG matrix, Porter's Five forces model- trends in merger activities India and abroad.

MODULE II - CORPORATE RESTRUCTURING: (15 Hrs)

Corporate restructuring – different methods of restructuring – joint ventures –sell off and spin off – divestitures – equity carve out – leveraged buy outs(LBO) – management buy outs – master limited partnerships – employeestock ownership plans /stock option plan(ESOP)- detailed understanding of all types of restructuring.
Merger Process: Dynamics of M&A process- identification of targets negotiation-closing the deal. Five-stage model – due diligence (detailed discussion). Process of merger integration – organizational and human aspects –managerial challenges of M& A

MODULE III - VALUATION: (15 Hrs)

Valuation – cost of capital-traditional valuation approaches – discounted cash flow valuation – asset based valuation- brand valuation-firm valuation-equity valuation- FCFE and FCFF- relative valuation-adjusted present value- (Includingproblems)
Methods of financing mergers – cash offer, share exchange ratio – (Including problems) - mergers as a capital budgeting decision.

MODULE IV – TAKEOVERS: (15 Hrs)

Takeovers, types, hostile takeover approaches, Takeover defenses –bid resistance strategies-bid defense strategies-–pre offer defenses-poison pill defense-shark repellents-post offer defences-greenmail-white knight-financialdefensive measures – Coercive offers and defense – anti-takeover amendments – impact of takeover defenses on shareholder value.

MODULE V - LEGAL, TAXATION, AND ACCOUNTING ASPECTS: (15 Hrs)

Legal and regulatory frame work of M & A – provisions of Companies Act 2013, – SEBI Takeover Code, Provisions of Competition Act.
Taxation of Mergers, Acquisitions and Amalgamations: Amalgamation, Demerger – Special provisions for computation of cost of acquisition- Conditions for availing loss and depreciation – Tax Neutrality.Accounting aspects of Mergers: Principal methods of Accounting for mergers and acquisitions – Pooling of Interests Method – Advantages and Disadvantages; Purchase method – advantages and Disadvantages – Use of Purchase method, determination of Purchase price, accounting method in India (Including problems).

Suggested readings:

1. SudiSudarsanam, Value Creation From Mergers And Acquisitions, Pearson Education
2. Fred Weston, Kwang S Chung, Susan E Hoag, Mergers, Restructuring and Corporate Control – Pearson Education, RavindharVadapalli , Mergers acquisitions and Business valuation, Excel books
3. Valuation for mergers Buyouts & Restructuring,Arzak, Wiley India (P) Ltd.
4. Merger Acquisitions & Corporate Restructuring,Chandrashekar Krishna Murthy &Vishwanath. S.R, Sage Publication.
5. Weston, Mitchel And Mulherin, Takeovers,Restructuring And Corporate Governance Pearson Education, Shiv Ramu, Corporate Growth Through Mergers And Acquisitions, Response Books
6. P Mohan Rao, Mergers And Acquisitions, Deep And Deep Publications
7. Machiraju, Mergers And Acquisitions, New Age Publishers
8. Handbook of International Mergers & Acquisitions, Gerard Picot, Palgrave Publishers Ltd.

MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING

MODEL QUESTION PAPER

Course Code:P20/COM/DSC/402 **Max. Marks: 60 Marks**
TIME: 2 ½ Hrs

SECTION – A

I. Answer any FIVE **5 x 2 = 10 M**

1. Industry Life Cycle
2. Spin Off
3. Share Exchange Ratio
4. White Knight
5. Tax Neutrality
6. BCG Matrix
7. FCFE
8. Demerger

SECTION – B

II. Answer the following **5 x 10 = 50 M**

9. What is Merger? Write about the types of mergers in detail with suitable examples.

OR

10. What is SWOT Analysis ? Explain Porter's Five Forces Model in detail.

11. What is Corporate Restructuring? Write about different methods of Corporate Restructuring.

OR

12. Write about the Five Stage Model of Merger Process.

13. Explain in detail the various steps in Discounted Cash Flow Approach. Use a suitable numerical illustration to highlight the valuation.

OR

14. A firm can invest Rs. 1,50,000 now to receive Rs. 20,000 per year for ten years. The cost of capital for this project is 12 percent. What is the NPV of the Project and suggest accordingly.

15. What is Takeover? Write about the types of Takeovers in detail.

OR

16. What is Takeover Defense?Write in detail about Pre offer Defenses and Post offer Defenses.

17. The following is the Summarized Balance sheet of A Ltd.

Liabilities	Rs.	Assets	Rs.
14,000 Equity Shares of Rs. 100 each fully paid	14,00,000	Sundry Assets	18,00,000
General Reserve	10,000	Discount on issue of debentures	10,000
10 % Debentures	2,00,000	Preliminary expenses	30,000
Sundry Creditors	2,00,000	P & L A/c	60,000
Bank Overdraft	50,000		
Bills Payable	40,000		
Total	19,00,000	Total	19,00,000

B Ltd. agreed to take over the business of A Ltd. Calculate Purchase Consideration under Net Assets Method on the basis of the following:

The Market Value of 75 % of the Sundry Assets is estimated to be 12 % more than the book value and that of the remaining 25 % at 8 %less than the book value.

The Liabilities are taken over at Book values.

There is an Unrecorded Liability of Rs. 25,000.

OR

18. Describe the legal and regulatory framework for mergers and acquisitions in India.