

Name:

Enrolment No:



UPES

End Semester Examination, May 2023

Course: Merger Acquisition & Corporate Restructuring

Program: BBA(FIN)

Course Code: FINC2071

Semester: IV

Time : 03 hrs.

Max. Marks: 100

Instructions: **OPEN BOOK**

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	<p>1. In a _____ merger, two companies that are in different industries merge to create a larger entity that can benefit from economies of scale and scope.</p> <p>2. One commonly used method of valuation for a target company is the _____ method, which looks at the company's past earnings and applies a multiple to estimate its current value.</p> <p>3. In a _____ merger, a company acquires another company that is either a supplier or a customer, which allows for greater control over the supply chain.</p> <p>4. One reason a merger may fail is _____ issues, such as cultural differences, conflicting priorities, and lack of communication, which can lead to disengaged employees and loss of key talent.</p> <p>5. The _____ method of valuation takes into account the present value of the target company's future cash flows, discounted by a rate that reflects the risk associated with those cash flows.</p> <p>6. One reason companies may pursue a merger is to achieve _____, which can be accomplished by combining resources, reducing costs, and increasing market power.</p> <p>7. One challenge of a cross-border merger is dealing with _____ differences, including legal, regulatory, and cultural variations that can impact the integration process.</p> <p>8. One common defensive strategy used by companies to fend off a takeover is the _____, which involves offering shareholders the opportunity to purchase additional shares at a discounted price, making the acquisition more expensive for the potential acquirer.</p>		CO1

	<p>9. _____ is a measure of a company's true worth, based on its current assets, liabilities, and cash flows, as well as its growth potential and other qualitative factors.</p> <p>10. _____ is an estimate of a company's future worth at the end of a specific period, based on its expected cash flows beyond that period and a discount rate that reflects the time value of money and the risks associated with those cash flows.</p>		
SECTION B 4Qx5M= 20 Marks			
Q 2	Imagine you work for a company that is considering a merger with another company in the same industry. Explain why a horizontal merger might be a good option for your company and describe how the merger could benefit both companies involved.		CO2
Q 3	What are some risks associated with a merger or acquisition that you should consider before agreeing to the deal?		CO2
Q 4	Imagine you work for a global consulting firm that has been hired to advise a company on its potential acquisition of a target company located in a different country with a significantly different culture. How might the cultural differences between the two companies affect the merger process and ultimate success of the acquisition?		CO3
Q 5	Imagine you are a CEO of a mid-sized company in the technology industry that is considering a merger with a larger competitor. What motives might be driving your decision to pursue a merger, and how would you assess the potential benefits and risks of the deal?		CO2
SECTION-C 3Qx10M=30 Marks			
Q 6	You are a consultant advising a company that is considering a merger with a company in a different industry. Based on your research, what types of synergy could be achieved through this merger? What are some potential challenges that could arise during the integration process, and how would you recommend addressing these challenges?		CO3
Q 7	You work for a target company that is being pursued by an acquiring company. Discuss two defensive strategies that your company could use to deter a hostile takeover attempt. Which strategy do you think would be most effective in your company's situation, and why?		CO3
Q 8	You are a financial analyst who has been tasked with valuing a publicly traded company. What data sources and financial metrics would you use to evaluate the company's performance and prospects, and how would you interpret these metrics to arrive at a valuation estimate?		CO3
SECTION-D 30 Marks			
Q 9	Merger and Valuation of ABC Inc. and XYZ Corp.	3QX10M=30	CO4

ABC Inc. is a mid-sized pharmaceutical company that specializes in developing drugs for rare diseases. The company has been struggling to grow its market share in a highly competitive industry and is facing pressure from investors to improve its financial performance. To address these challenges, the company has been considering a potential merger with XYZ Corp., a larger pharmaceutical company with a strong portfolio of drugs for common diseases.

After conducting due diligence on XYZ Corp., ABC Inc. has determined that the merger could provide several benefits, including access to new technologies, a larger customer base, and cost synergies from combining operations. However, the two companies have different cultures and management styles, which could pose challenges during the integration process.

ABC Inc. has also hired your consulting firm to perform a valuation of XYZ Corp. to determine the potential financial impact of the merger. You have been given access to XYZ Corp.'s financial statements and other relevant data and have been asked to provide a detailed analysis of the company's value.

1. As a consultant advising ABC Inc. on its potential merger with XYZ Corp.,

- a) What specific cultural differences between the two companies might impact the success of the integration process? **(5 marks)**
- b) How would you recommend managing these differences to minimize disruption to operations and ensure a smooth transition for employees? **(5 marks)**

2. Imagine you are the CEO of XYZ Corp. and have been tasked with presenting the potential benefits and risks of the merger to your board of directors.

- a) How would you justify the strategic rationale for the merger, and what metrics would you use to assess the financial impact of the deal? **(5 marks)**
- b) What are some potential risks and uncertainties associated with the merger, and how would you mitigate these risks to ensure a successful outcome? **(5 marks)**

3. Imagine you are presenting your valuation analysis to the board of directors at ABC Inc.

- a) What are the key financial metrics that you would highlight to support your valuation of XYZ Corp.? **(5 marks)**
- b) How would you use your valuation analysis to inform the negotiations and decision-making process for the merger? **(5 marks)**