



61325

Reg. No.

--	--	--	--	--	--	--	--

III Semester M.B.A. Degree Examination, March/April - 2021**MANAGEMENT****Corporate Valuation and Restructuring
(CBCS Scheme 2014-15 Onwards)****Paper : 3.3.3****Time : 3 Hours****Maximum Marks : 70****Section - A**

Answer any five of the following questions. Each question carries five marks. (5×5=25)

1. Briefly explain the concept of Tobin's Q.
2. Discuss the concept of Direct Comparison approach with suitable examples.
3. Write a short note on Human Resource Accounting.
4. Determine the present value of the bond with a face value of Rs. 1,000, coupon rate of Rs. 90, a maturity period of 10 years for the expected yield maturity of 10 percent.
5. From the following data, calculate the cost of merger.
 - i) When merger is financed by cash
 - ii) When merger is financed by stock.

Particulars	Firm A	Firm B
Market Price per share	Rs. 60	Rs. 15
Number of Shares	1,00,000	50,000
Market value of firm	Rs. 60,00,000	Rs. 7,50,000

Firm A intends to pay Rs. 10,00,000 cash for B if B's market price reflects only its value as a separate entity.

6. Explain the various types of Corporate Restructuring Activities.
7. Following is the Condensed income statement of a firm for the current year:

Income Statement (in Rs. Lakhs)

Sales Revenue	500	
Operating Costs	300	
Interest Costs	12	
Earnings before tax		188
Taxes @ 40%		75.2
Earnings after Taxes		112.8

P.T.O.



The firm's existing capital consists of Rs. 150 lakh equity funds, having 15 percent cost and Rs. 100 lakh 12 percent debt. Determine the economic value added during the year.

Assume the sales revenue is Rs. 330 Lakhs. What is the Earnings after tax and EVA?

Section - B

Answer any three of the following questions. Each questions carries 10 marks. (3×10=30)

8. Discuss the pre-offer and post-offer of antitakeover defense strategy.
9. When is an amalgamation called as a Merger and when is it called a takeover?
10. The Vismaya Computer Corp., has been experiencing and above normal dividend growth rate of percent year for the past years. The above normal growth rate is expected to continue for another 5 years before it levels off at a normal rate of 7 percent. The last dividend paid by the company is Re. 1 per share. Determine the current value of the stock if its required rate of return is 20 percent.

11. The key financial parameters of Star cement company Ltd., are as follows:

EBDIT	Rs. 36 Lakhs
Book value of assets	Rs. 180 Lakhs
Sales	Rs. 250 Lakhs

Based on the evaluation of several cement companies Good Ltd., Better Ltd., and Better Ltd., have been found to be comparable to star cement company Ltd. their key financial data as follows:

Particulars	(Rs. In Lakhs)		
	Good Ltd.	Better Ltd.	Best Ltd.
EBIT	24	30	40
Book value of assets	150	160	200
Sales	160	200	320
Market value	300	480	720

Find the value of star cement company Ltd. using the comparable company Approach.

Section - C

Compulsory

(1×15=15)

12. Rama Ltd., and Krishna Ltd., are discussing a merger deal in which Rama will acquire Krishna. The relevant information about the firms is given as follows:

Particulars	Rama	Krishna
Total Earnings	Rs. 3,60,00,000	Rs. 1,20,00,000
No.of outstanding shares	1,20,00,000	80,00,000
Earnings Per share	Rs. 3	Rs. 1.50
Price - Earning ration	10	6
Market price per share	Rs. 30	Rs. 9



(3)

61325

Questions:

- What is the maximum exchange ratio acceptable to the shareholders of Rama Ltd. If the P/E ratio of the combined firm is 8?
- What is the minimum exchange ratio acceptable to the shareholders of Krishna Ltd. if the P/E ratio of the combined firm is 9?
- At what point do the lines ER_1 and ER_2 intersect?