

Roll No.

Total No. of Pages : 03

Total No. of Questions : 17

MBA (Sem.-4)

**MERGERS, ACQUISITION AND CORPORATE RESTRUCTURING**

Subject Code : MBA/914/18

M.Code : 77813

Date of Examination : 25-05-2024

Time : 3 Hrs.

Max. Marks : 60

**INSTRUCTIONS TO CANDIDATES :**

1. SECTION-A contains EIGHT questions carrying TWO marks each and students have to attempt ALL questions.
2. SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and students have to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY consists of ONE Question carrying TWELVE marks.

**SECTION-A**

**Write short notes on :**

1. Define corporate restructuring.
2. What is vertical merger?
3. What is share exchange ratio?
4. What is reverse merger?
5. What is spin-off strategy?
6. What is Synergy?
7. What is buy-back of shares?
8. List various takeover strategies.

## SECTION-B

### UNIT-I

9. Define the term merger. What are the motives behind merger and acquisition? Also, discuss different types of mergers.
10. Why mergers and acquisitions often fail? Discuss its reasons with examples.

### UNIT-II

11. **Write short notes on following :**
  - a. Demerger
  - b. LBO.
12. What is value creation? Discuss various approaches for valuation of merger and acquisitions.

### UNIT-III

13. Discuss methods of accounting for amalgamations. Also, explain the difference between pooling of interest method and purchase method.
14. Discuss various financing options available to acquiring company.

### UNIT-IV

15. **Write short notes on :**
  - a. Due diligence in merger and acquisition
  - b. International mergers and acquisitions.
16. Discuss various regulatory aspects of mergers and acquisitions.

## SECTION-C

### 17. Case Study :

Adidas and Reebok are facing tough competition from their rival firm Nike. Nike had about 36 percent, Adidas 8.9 percent and Reebok 12.2 percent market share in the athletic footwear market in North America. In order to compete with Nike, which has very strong market share in North America and globally, Adidas announces the plan to acquire Reebok on 3rd August, 2005, and deal was finalized on 31st January, 2006.

Adidas wanted to compete with Nike in North American market. Nike leads the US market as well as global market by giving a tough competition to Adidas and Reebok, which were competing for the second and third positions. Nike was the first choice of billions of people because they offered stylish looks with quality and was famous for its fashion status, colour and combinations. While Adidas is known for its good quality and comfort goods and Reebok for its stylish look or 'hip hop' style. And therefore it seemed impossible for two brands to compete with Nike independently. Moreover, Adidas aimed to extend their global reach by aiming to expand in Asia market and to generate more revenue from Asia market. It seemed to succeed as the sales revenue from Asia market improved. In 2005 sales from Asia contributed 22.95 percent of the group total revenue which increased to 24.65 percent in 2008.

Yet another advantage was that the group aimed to reduce its annual cost and wanted to save around \$ 125 million annually with substantial operational synergies and expected to increase revenue and profit from complete coverage of all consumer segments.

However, company's main aim to compete with Nike in North America market didn't hit the target, as the revenue generated from North America went down. Although in 2006 group revenue from North America increased significantly from \$ 1561 million in 2005 to \$ 3234 million in 2006 i.e. 107 percent growth, but this was mainly due to 2006 FIFA world cup and group revenue from North America declined thereafter. Other shortfall of the acquisition can be seen from the declined sales revenue of Reebok. Reebok sales went down by 9 percent in 2006 i.e. from \$ 2718 million in 2005 to \$ 2473 million in 2006.

**Answer the following questions :**

- a. Why did Adidas wanted to merge with Reebok?
- b. What were the positive aspects of merger of Adidas and Reebok?
- c. What were the negative aspects of merger discussed in the above case?

**NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.**