

Name:
Enrolment No:



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2019

Course: Mergers & Acquisition (Hons-3)

Semester: VI

Program: BBA, LL.B. (Hons.) Corporate Laws 2016

Course Code: LLBL 424

Time: 03 hrs.

Max. Marks: 100

Instructions: Each section contains separate instructions.

S. No.	SECTION A [2*5= 10 Marks]	Marks	CO
Q 1	Write short notes on the following: (i). Merger (ii).Tender Offer (iii).Bear Hug (iv).Predatory Pricing (v). Combination	2 2 2 2 2	1 2 3 5 5
SECTION B [20 Marks]			
Q 2	What is the market for managerial and director services? Discuss.	10	4
Q 3	What do you understand by Board Neutrality Rule (BNR)? Discuss its implementation in the following jurisdictions: a. United Kingdom; and b. United States.	2.5 2.5	4 4
Q 4	How can the product market constrain managerial misbehavior? Is it likely to do so in practice?	5	5
SECTION-C [10*2= 20 Marks]			
Q 5	'The efficient market's hypothesis is one of the mostly hotly contested propositions in all the social sciences. It is disarmingly simple to state, has far reaching consequences	10	5

	for academic theories and business practice, and yet is surprisingly resilient to empirical proof or refutation. Even after several decades of research and literally thousands of published studies, economists have not yet reached a consensus about whether markets- particularly financial markets- are, in fact, efficient'. Comment.		
Q 6	Is the notion that the market for corporate control acts as a break on the managerial agency fees a myth or does it have some practical resonance? Discuss.	10	5
SECTION-D			
Q 7	'Any regime which confers discretion on a board to impede or facilitate a bid inevitably involves unacceptable cost and risk. Defensive mechanisms are often costly in themselves, apart from the fact that they deny the bidder the opportunity to create wealth by exploiting synergies after a successful bid. Most importantly, managements are faced with a significant conflict of interest if a takeover bid is made... their interest is in saving their jobs and reputation instead of maximizing the value of the company for shareholders. Their claims to represent the interests of shareholders or other stakeholders are likely to be tainted by self- interest. Shareholders should be able to decide for themselves'. Comment.	25	4
Q 8	<p>Conglomerate mergers are generally problematic if they have the potential to lead to leveraging through tying or bundling strategies. Such practices are only problematic where the foreclosure of competition on a neighboring market is a realistic prospect given the features of the relevant market. This means, in practice the merged entity must enjoy a position of substantial market power (one would assume that, at the very least, a dominant position within the meaning of section 4 of the Competition Act, 2002 or Article 102 TFEU is a precondition to take action) and that there is an important overlap between the customers of each of the two products. In addition, it is necessary to consider whether a tying or bundling strategy is a profitable one (for instance, it may be the case that competing products are superior, thus making coercion or forced bundling unlikely).</p> <p>In light of the above, please answer the following questions:</p> <p>a). What are the theories of harm examined by the Commission in Microsoft/Skype? Why are they rejected by the Commission?</p> <p>b). Why does this case sit at odds with the Microsoft saga of cases dealt with under Article 102 TFEU?</p>	12.5	5
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S. No.	SECTION A [2*5= 10 Marks]	Marks	CO
Q 1	Write short notes on the following: (i).Agency cost (ii).Greenmail (iii).Flip over (iv).Tying (v). Takeover	2 2 2 2 2	1 2 4 5 4
SECTION B [10*2= 20 Marks]			
Q 2	What do you understand by the market for corporate control? Explain.	10	3
Q 3	What do you mean by inducement fees? Discuss.	10	4
SECTION-C [10*2= 20 Marks]			
Q 4	What are hostile takeovers? Are hostile takeovers rare in India? Discuss with the help of relevant examples.	10	4
Q 5	Is the notion that the market for corporate control acts as a break on the managerial agency fees a myth or does it have some practical resonance? Discuss.	10	4
SECTION-D [50 Marks]			
Q 6	Managers do not always maximize the wealth of investors. Because managers have only a small stake in the fortunes of the firm, these costs may become quite high. Managers may not work as hard as they could claim a higher share of the proceeds-	25	5

	they may consume excessive perquisites, and they may select inferior projects for the firms without bearing the consequences of their action. Corporate control transactions can reduce agency costs if better managers obtain control of the firms asset's or if they alter the incentive structure facing existing managers. Critically analyze.		
Q 7	<p>The structural changes to which vertical and conglomerate mergers lead raise issues that are essentially similar to those raised by vertical restraints and some unilateral practices such as tying or bundling. In fact, vertical restraints can be seen as an imperfect – and sometimes more convenient – substitute for vertical integration (that is, the acquisition of a supplier by a distributor, or vice versa). Conglomerate mergers (that is, between firms that are neither rivals nor in a vertical relationship) are only rarely problematic from a competition law perspective. Where concerns are raised, they generally relate to the ability of the merged entity to engage in tying or bundling of products that are on closely related markets.</p> <p>In light of the above, please answer the following questions:</p> <p>a). Why are the effects of horizontal and non-horizontal mergers on prices different?</p> <p>b). What were the factors suggesting that the Bridgestone/Bandag merger was a source of competition concerns? Why did the Commission come to the opposite conclusion?</p>	<p>12.5</p> <p>12.5</p>	<p>5</p> <p>5</p>