

PRACTICE QUESTIONS

MERGERS AND ACQUISITIONS MODULE

1. VRS is an example of [1 Mark]
- a) Involuntary re-organisation
 - b) Voluntary re-organisation
 - c) External re-organisation
 - d) Internal re-organisation
- Correct Answer: Internal re-organisation**
2. When a merger is between two companies that are into the same products or services, it is called a merger. [1 Mark]
- a) Horizontal
 - b) Vertical
 - c) Diagonal
 - d) Reverse
- Correct Answer: Horizontal**
3. When a larger or healthier company merges into a smaller or weaker company, it is called a merger. [1 Mark]
- a) Horizontal
 - b) Vertical
 - c) Diagonal
 - d) Reverse
- Correct Answer: Reverse**
4. In which of the following, values are not assigned to individual assets? [1 Mark]
- a) Merger
 - b) De-merger
 - c) Reverse merger
 - d) Slump sale.
- Correct Answer: Slump sale**
5. Which of the following are benefits of Chapter V re-organisation? [1 Mark]
- a) High court permission not required
 - b) NCLT permission not required
 - c) Binding on all
 - d) Share-holder permission not required

Correct Answer: Binding on all

6. Appropriate authority for merger entailing sick company is **[1 Mark]**
- a) High court
 - b) NCLT
 - c) BIFR
 - d) CLB

Correct Answer: NCLT

7. Schemes of compromise and arrangement are covered by Chapter _____ of the Companies Act, 2013 **[1 Mark]**
- a) X
 - b) IX
 - c) XII
 - d) XV

Correct Answer: XV

8. For the purposes of sections 230 and 234, "company" means _____ **[1 Mark]**
- a) Company as defined in section 3 of the Companies Act, 2013
 - b) A company that is liable to be wound up under the Companies Act, 2013
 - c) A public limited company
 - d) A private limited company

Correct Answer: A company that is liable to be wound up under the Companies Act, 2013

9. Fair value of assets and liabilities in a merger are determined as of the _____ date. **[1 Mark]**
- a) Appointed
 - b) Effective
 - c) Ex-merger date
 - d) Beginning of the financial year

Correct Answer: Appointed

10. Section 230 covers the following forms of compromise or arrangement. **[1 Mark]**
- a) Between a company and its creditors or any class of them
 - b) Between a company and its members or any class of them
 - c) Both the above
 - d) None of the above

Correct Answer: Both the above

11. In the case of amalgamation of a company that is being wound up, NCLT can sanction the scheme only after receiving a report from the _____ **[1 Mark]**
- a) RoC
 - b) Official liquidator

- c) Both the above
- d) None of the above

Correct Answer: ROC

12. The company is bound to file NCLT with the RoC within days **[1 Mark]**

- a) 7
- b) 15
- c) 30
- d) 60

Correct Answer: 30

13. Buyback of securities are governed by **[1 Mark]**

- a) Companies Act, 2013
- b) Companies (Share Capital and Debentures) Amendment Rules, 2017
- c) Both the above
- d) None of the above

Correct Answer: Both the above

14. The cut-off for determining small share-holder under buy-back regulations is **[1 Mark]**

- a) Market value Rs. 2 lakh
- b) Market value Rs. 1 lakh
- c) Face value Rs. 1 lakh
- d) Face value Rs. 50,000

Correct Answer: Market value Rs. 2 lakh

15. Buy-back is permitted from **[1 Mark]**

- a) Share premium account
- b) Free reserves
- c) Prior issue
- d) All the above

Correct Answer: All the above

16. Share-holders' special resolution is not required if buy-back does not exceed **[1 Mark]**

- a) 25% of paid up capital and free reserves
- b) 10% of paid up capital and free reserves
- c) 10% of paid up equity capital
- d) 25% of paid up equity capital

Correct Answer: 10% of paid up capital and free reserves **[1 Mark]**

17. Buy-back has to be completed within _____ from date of passing of resolution

- a) 6 months
- b) 1 year

- c) 2 years
- d) None of the above

Correct Answer: 1 year

18. The date of opening of the offer cannot be later than _____ days from the date of dispatch of letter of offer. **[1 Mark]**

- a) 2
- b) 5 working
- c) 7
- d) 3 working

Correct Answer: 5 working

19. Which of the following are an associate under the takeover regulations? **[1 Mark]**

- a) Immediate relatives
- b) Trusts where person or immediate relative are a trustee
- c) Members of HUF where person is a co parcener
- d) All the above

Correct Answer: All the above

20. Period during which investors can give their shares in a take-over situation is called.

[1 Mark]

- a) Tendering period
- b) Offer period.
- c) Public issue period
- d) None of the above

Correct Answer: Tendering period

21. Which of the following can trigger a compulsory public offer? **[1 Mark]**

- a) Shareholding crossing 25%.
- b) More than 5% shareholding acquired in a financial year.
- c) Either of the above
- d) None of the above

Correct Answer: Either of the above

22. Which of the following are permitted form/s of payment in a take over? **[1 Mark]**
- a) listed shares in the equity share capital of the acquirer or of any person acting in concert.
 - b) listed secured debt instruments issued by the acquirer or any person acting in concert.
 - c) convertible debt securities
 - d) All the above

Correct Answer: All the above

23. The acquirer can make a difference in pricing between cash payments and payments in the form of securities. **[1 Mark]**
- a) True
 - b) False

Correct Answer: True

24. Detailed public statement is to be published within **[1 Mark]**
- a) 5 working days of board resolution
 - b) 5 working days of public announcement
 - c) 5 working days of acquisition triggering the offer
 - d) None of the above

Correct Answer: 5 working days of public announcement

25. The tendering period is to start not later than ten working days from date of receipt of comments from SEBI. **[1 Mark]**
- a) True
 - b) False

Correct Answer: False