

UNIVERSITE PARIS 1 PANTHEON – SORBONNE

UFR 06 / SGEL

LICENCE DE GESTION ET ECONOMIE D'ENTREPRISE

Bi-LICENCE DROIT/GESTION

Examen de rattrapage d'anglais appliqué à la gestion, Semestres 3 & 4

Enseignant responsable : JT Pindi

Date: 26 juin 2013

Maître de conférences

Durée: 2 heures

Sujet rédigé en collaboration avec mademoiselle Jennifer Wallace, lectrice

Instructions

No documents allowed. Write your answers on the official answer sheets provided.

PART I: Reading

Read the text below entitled Mega-bids are set to transform America's wireless industry and address the ensuing comprehension questions and vocabulary exercises.

Mega-bids are set to transform America's wireless industry

BANKERS involved in mergers and acquisitions have been checking their phones more often than text-crazy teenagers recently, to keep up with a flurry of offers for American mobile-phone companies. On April 15th DISH Network, a satellite-TV operator, became the latest bidder to enter the fray when it launched a \$25.5 billion offer for Sprint Nextel, the country's third-largest wireless firm.

DISH is not the only suitor for Sprint. Last October Japan's SoftBank offered to buy 70% of the wireless operator for just over \$20 billion; and this week it boasted that its agreed deal promised "superior" benefits to DISH's unsolicited one. Sprint, in turn, is seeking to take full control of Clearwire, another wireless company of which it already owns half. And T-Mobile USA, the fourth-biggest mobile operator, is pushing ahead with a plan to merge with the fifth-largest, MetroPCS. The scale of the bidding is breathtaking. According to Dealogic, a data provider, wireless deals worth \$49 billion have already been announced in America this year, compared with \$53 billion-worth of transactions for the whole of 2012. And more telephone-number-sized offers could be on the way. What is driving this deal making? And who is likely to come out on top when the dust settles?

The answer to the first of those questions is that the bids are aimed at helping America's mobile smaller fry compete more effectively with Verizon Wireless and AT&T, the behemoths that together serve about 70% of the country's wireless subscribers. The two titans' investment in their wireless networks and in the spectrum needed to carry voice and data traffic over them has dwarfed that of their rivals. "It's a two-plus-two market in America now," explains Rajeev Chand of Rutberg & Company, an investment bank, "and the two smaller guys have to figure out how best to compete and survive." When it comes to spectrum, DISH has a clear edge over its rival for Sprint's affections. The satellite-TV firm, whose boss, Charlie Ergen, is a former professional gambler, has

cleverly snapped up billions of dollars' worth of airwaves which it has permission to convert to wireless use. And in January it launched an unsolicited offer of its own for Clearwire. Mr Ergen has made it clear that DISH does not want to build its own cellular network, but would rather find a partner with an existing one.

SoftBank cannot offer Sprint airwaves in America, but it can bring plenty of cash to the table thanks to Japan's near-zero interest rates. It also brings the experience of Masayoshi Son, the firm's founder and boss, who snapped up several companies to turn SoftBank Mobile into an effective competitor against two larger rivals in the Japanese market. SoftBank claims it is on track to close its deal with Sprint on July 1st. But Mr Son may have to raise his bid if he is to keep Sprint's shareholders on board now that Mr Ergen has joined the game.

T-Mobile's owner, Deutsche Telekom, has already had to sweeten its offer for MetroPCS after facing pressure from shareholders in the American firm who felt the original terms would have left the combined company with too heavy a debt burden. On April 15th MetroPCS's board approved the revised proposals, which will be put to shareholders on April 24th. If they are accepted the merged firm will have debt of \$11.2 billion rather than \$15 billion, and pay a lower interest rate than originally planned, giving it more financial flexibility to buy radio spectrum and build up its wireless network.

Regulators seem keen to give Sprint and T-Mobile a helping hand when it comes to spectrum. In a recent submission to America's Federal Communications Commission (FCC), which oversees the telecoms industry, the Department of Justice urged it to make sure that the smaller wireless operators get a share of low-frequency bands in a future auction of spectrum given up by television stations. Both Sprint and T-Mobile are short of such spectrum, whose ability to carry signals over long distances and into buildings makes it especially valuable.

But even if they get such help, the smaller firms will still find it tough to prosper. Mike Garstka of Bain & Company, a consulting firm, says that in most mobile markets around the world the two biggest operators make virtually all of the profit, leaving smaller rivals battling to survive. This has certainly been the case in Europe, where a long tail of smaller operators has struggled to make money in an intensely competitive market.

The Economist: Mobile telecoms in America – DISHing out the dosh- April 20th 2013

A. Comprehension (5 points)

Are the following statements True (T) or False (F)? Justify your answer with a quotation from the text, giving the paragraph and line references.

- 1) Mergers and acquisitions activity has been slowing down recently in the American telecommunications market. **T / F**
- 2) Only one bidder is interested in acquiring Sprint. **T / F**
- 3) Clearwire is one of the companies hoping to take over Sprint **T / F**
- 4) M&A transactions in the American telecommunications market are likely to increase this year. **T / F**

- 5) Two large operators largely dominate America's mobile network. **T / F**
- 6) Softbank Mobile has dropped out of the race to acquire Sprint because it cannot provide airwaves in America. **T / F**
- 7) MetroPCS's directors have turned down the proposed merger between T Mobile and Deutsche Telekom due to large combined debts. **T / F**
- 8) With the extra money saved from a new deal between T-Mobile and MetroPCS, the new entity would be able to increase its wireless capabilities. **T / F**
- 9) Regulators want to level the playing field for smaller wireless operators. **T / F**
- 10) In Europe and other parts of the world, smaller telecommunications businesses compete successfully with their bigger rivals. **T / F**

B. Vocabulary (5 points)

I. Define or explain the meaning of the following words:

- 1) Mergers and acquisitions
- 2) An investment bank
- 3) Shareholders
- 4) Board (as used in the phrase "*MetroPC's board*")
- 5) An auction

II. Find synonyms in the text for the words and expressions in italics used in the sentences below. Give the paragraph and line references of the synonym you have identified.

- 1) To keep up with a flurry of *offers*.
- 2) On April 15th, DISH Network, a satellite-TV operator, became the latest *bidder* to enter the fray.
- 3) Wireless *deals* worth \$49 billion have already been announced in America this year.
- 4) DISH has a clear edge over its *rival* for Sprint's affections.
- 5) The Department of Justice urged it to make sure that the smaller *wireless operators* get a share of low-frequency bands.

PART II: Grammar (5 points)

A. Rewrite the sentences below using the modal verb must, should, may, might or should not

1. It is possible for companies to go bankrupt if they are not careful with their finances.
2. There is a chance that this business will be saved just by changing course.

3. It is recommended that companies have a time scale to implement their marketing mix.
4. I would advise you not to overlook the customer's records.
5. It is necessary for governments to do more in order to alleviate poverty.

B. Complete the sentences below with the phrasal verb tie up, sell out, take over, run through or tie in, using the appropriate tense.

1. Our firm 2 fruit packing companies last year.
2. Let's the inventory order one more time.
3. Sorry, the tickets are !
4. All our resources are in inventory at the moment.
5. What you've just said about the marketing mix neatly with my next point.

PART III: Writing (5 points)

From your knowledge of the subjects studied in class and in the light of your understanding of the article, discuss in a minimum of 250 words or a maximum of 300:

- a) The type of M&A activity illustrated in the text
- b) The advantages and disadvantages M&A deals, if achieved, would bring to the various telecommunications companies cited in the text.

Count and write down the number of words used in your essay, which will be assessed both in terms of the substance of your discussion and the standard of your English.

Key to answers and guidelines for marking

Part 1: Reading

A. Comprehension (5 points)

Answers:

- 1) False: “a flurry of offers for American mobile-phone companies” (paragraph 1 &, line 2)
- 2) False: “Dish is not the only suitor for Sprint” (paragraph 2, line 1)
- 3) False. It’s the opposite. “Spring is seeking to take full control of Clearwire” (paragraph 2, line 3)
- 4) True: “According to Dealogic, a data provider, wireless deals worth \$49 billion have already been announced in America this year, compared with \$53 billion-worth of transactions for the whole 2012. And more telephone-number-sized offers could be on the way.” (paragraph 2, lines 6 - 8)
5. True: “Verizon Wireless and AT&T, the behemoths that together serve about 70% of the country’s wireless subscribers.” (paragraph 3, lines 2 – 3)
6. False: “Softbank claims it is on the track to close its deal with Sprint on July 1st.” (paragraph 4, lines 4 – 5)
7. False: “On April 15th MetroPCS’s board approved the revised proposals, which will be put to shareholders on April 24th. (paragraph 5, lines 3 – 4)
8. True: “ giving it more financial flexibility to buy radio spectrum and build up its wireless network.” (paragraph 5, lines 6 – 7)
9. True: “Regulators seem keen to give Sprint and T-Mobile a helping hand when it comes to spectrum.” (paragraph 6, line 1)
10. False: “Mike Garstka of Bain Company, a consulting firm, says that in most mobile markets around the world the two biggest operators make virtually all of the profit, leaving smaller rivals battling to survive. This has certainly been the case in Europe, where a long tail of smaller operators has struggled to make money in an intensely competitive market.” Last paragraph)

Marking guidelines

0.25 point when the answer is correct. Another 0.25 point when the justification and the text references are also correct. Nothing to be awarded if otherwise.

B. Vocabulary (5 points)

I. definitions

Answers

- a) Mergers and acquisitions: strategic alliances companies make by combining with or buying others in order to increase their grip on the market they trade in.
- b) An investment bank: a financial institution that provides large amounts of long-term fixed, primarily for established firms; *merchant bank*
- c) Shareholders: owners of shares or stocks; *stockholders*
- d) Board: short for “board of directors”, governing body of a corporation responsible for controlling and organizing it in the interest of shareholders
- e) An auction: a public sale in which a product or service is sold to the person who offers the highest price

Marking guidelines

0.5 point for a correctly written answer. 0.25 point for a good answer with spelling mistakes. Nothing to be awarded if otherwise.

II. synonyms

Answers

- a) bids (title + paragraph 3, line 1)
- b) suitor (paragraph 2, line 1)
- c) transactions (paragraph 2, line 8)
- d) competitor (paragraph 4, line 4)
- e) mobile-phone companies (paragraph 1, lines 2 – 3)

Marking guidelines

0.5 point for a correct answer and correct text references. 0.25 point for a correct answer without any correct text references. Nothing to be awarded if otherwise

PART II: Grammar (5 points)

Answers

A. Modal verbs

1. Companies *may* go bankrupt if they are not careful with their finances.
2. This business *might* be saved just by changing course.
3. Companies *should* have a time-scale to implement their marketing mix.
4. You *should not* overlook the customer’s records.
5. Governments *must* do more in order to alleviate poverty.

B. Phrasal verbs

1. Our firm *took over* 2 fruit packing companies last year.
2. Let's *run through* the inventory order one more time.
3. Sorry, the tickets are *sold out*!
4. All our resources are *tied up* in inventory at the moment.
5. What you've just said about the marketing mix *ties in* neatly with my next point.

Marking guidelines

0.5 point for a correct answer. Nothing to be awarded if otherwise.

PART III. Writing (1+4= 5 points)

Marking

First, please award 1 point as a bonus for requisite length. Nothing to be awarded, nor any penalty point to be deducted for inadequate or excess length.

- Then, please read, correct and comment the discussion and score as follows:

Up to 2 points to be awarded for satisfactory substance.

Up to 2 points to be awarded for the standard of English.

Please note that

- a) the type of M&A activity illustrated in the text is 'horizontal integration'
- b) *up to* means that you should feel free to award less if warranted.