

EF4312: MERGERS AND ACQUISITIONS

Effective Term

Semester A 2022/23

Part I Course Overview

Course Title

Mergers and Acquisitions

Subject Code

EF - Economics and Finance

Course Number

4312

Academic Unit

Economics and Finance (EF)

College/School

College of Business (CB)

Course Duration

One Semester

Credit Units

3

Level

B1, B2, B3, B4 - Bachelor's Degree

Medium of Instruction

English

Medium of Assessment

English

Prerequisites

CB3410 Financial Management or FB3410 Financial Management, and
EF4313 Corporate Finance

Precursors

Nil

Equivalent Courses

Nil

Exclusive Courses

Nil

Part II Course Details

Abstract

This course is designed to provide the tools necessary to understand and analyze corporate merger and acquisition (M&A) activities, restructuring, as well as corporate governance issues in the M&A context. Specifically, this course aims to: Introduce background knowledge and practical issues in mergers and acquisitions (M&A) and related transactions. Practice valuation techniques related to M&A and related transactions. Explore economic theories, and anecdotal and empirical evidence related to M&A and related transactions. Develop analytical frameworks capable of forming critical opinions about proposed M&A or related transactions, and historical M&A or related events. Provide necessary preparation for students to develop expertise on M&A or related transactions in a particular industry or business sector of interest. Along the way students will further develop writing, analytical/computational, and database skills. An important part of the course is two group projects designed to develop students' abilities and skills to discover and innovate. In the first project, students propose a merger involving two actual companies, one of which must be a company operating in Hong Kong or mainland China. In the second project, students analyze a recent merger or restructuring transaction involving a company in Hong Kong or China. These projects are designed to provide an opportunity for students to: a) apply all tools that they have learned in this course and b) learn the data available to investors for analyzing companies.

Course Intended Learning Outcomes (CILOs)

CILOs		Weighting (if app.)	DEC-A1	DEC-A2	DEC-A3
1	Introduce background knowledge and practical issues in mergers and acquisitions (M&A) and related transactions.	12.5	x		
2	Describe the legal framework, accounting treatments, deal structures, tax consequences, and strategies in M&A and related transactions	12.5			x
3	Apply valuation techniques in relation to M&A and related transactions	12.5		x	
4	Describe theory and evidence related to M&A and related transactions.	12.5	x		
5	Evaluate real-world M&A or related events. Demonstrate analytical frameworks capable of forming critical opinions about proposed M&A or related transactions,	50			x

A1: Attitude

Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

A2: Ability

Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to real-life problems.

A3: Accomplishments

Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

Teaching and Learning Activities (TLAs)

TLAs	Brief Description	CILO No.	Hours/week (if applicable)
1	Lecture	Basic concepts and structures are provided in lectures. The lecturer encourages students to think critically and logically by asking them to respond to questions and engaging them in the discussion of current corporate events related to M&A and restructuring transactions.	1, 2, 3, 4
2	In-class group activities	In-class group activities include short quizzes and assignments, discussions of assigned journal articles and current events. Quiz questions and assignments test students' understanding of the topics covered in the most recent lecture as well as the assigned readings. Some in-class group activities may be substituted by a take-home assignment. The purpose of the quizzes and assignments is to help students to discover their understanding of the material.	1, 2, 3, 4
3	Local merger case analysis involving use of data on Thomson ONE Banker and Bloomberg	Students working in small teams will analyze two recent or ongoing merger or restructuring deals with the financial information available on the Thomson ONE Banker and Bloomberg databases. The cases are designed to develop students' abilities and skills to discover and innovate, and familiarize students with the databases available at City U. The lecturer will provide specific questions to serve as a guideline for each case.	3, 4, 5

4	Merger proposal project (Report and Presentation) involving use of financial data from Bloomberg and Osiris	Students working in small teams will develop a pitch book proposing merger of two actual companies. Students can select any publicly traded companies with data available on the Bloomberg and OSIRIS databases. Preferably, students will examine companies operating in Hong Kong, Macau, or China. This project is designed to provide students with an opportunity to discover and innovate. Students will discover and use financial information available to investors for analyzing real-world companies. Students will develop an innovative proposal aimed at convincing management of an acquiring company to proceed with the proposed transaction by (1) explaining the strategies and financial rationale for the deal, (2) valuating of the target and the synergy, and (3) analyzing the deal structure. The presentation requires students' in-depth understanding of the report and the deal rationale. The project presentation enhances students' presentation skills, critical thinking and develop students' creative and innovative abilities.	3, 4, 5	
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Assessment Tasks / Activities (ATs)

ATs	CILO No.	Weighting (%)	Remarks (e.g. Parameter for GenAI use)
1	In-class group activities	1, 2, 3, 4	10
2	Local merger case analysis	3, 4, 5	10

3	Merger proposal report & project critique	3, 4, 5	30	
4	Merger proposal presentation	3, 4, 5	10	

Continuous Assessment (%)

60

Examination (%)

40

Examination Duration (Hours)

2

Additional Information for ATs

Students are required to pass both coursework and examination components in order to pass the course.

Assessment Rubrics (AR)**Assessment Task**

In-class group activities

Excellent (A+, A, A-)

Strong evidence of original thinking; good organization, capacity to analyse and synthesize; superior grasp of subject matter; evidence of extensive knowledge base. Students have demonstrated very strong overall ability to discover and innovate, and shown very strong evidence of accomplishments in discovery.

Good (B+, B, B-)

Evidence of grasp of subject, some evidence of critical capacity and analytic ability; reasonable understanding of issues; evidence of familiarity with literature. Students have demonstrated strong overall ability to discover and innovate, and shown strong evidence of accomplishments in discovery.

Fair (C+, C, C-)

Student who is profiting from the university experience; understanding of the subject; ability to develop solutions to simple problems in the material. Students have demonstrated some ability to discover and innovate, and shown satisfactory evidence of accomplishments in discovery.

Marginal (D)

Sufficient familiarity with the subject matter to enable the student to progress without repeating the course. Students have demonstrated marginal ability to discover and innovate, and shown marginal evidence of accomplishments in discovery.

Failure (F)

Little evidence of familiarity with the subject matter; weakness in critical and analytic skills; limited or irrelevant use of literature. Students have demonstrated little evidence of ability to discover and innovate, and shown little evidence of accomplishments in discovery.

Assessment Task

Local merger case analysis

Excellent (A+, A, A-)

Strong evidence of original thinking; good organization, capacity to analyse and synthesize; superior grasp of subject matter; evidence of extensive knowledge base. Students have demonstrated very strong overall ability to discover and innovate, and shown very strong evidence of accomplishments in discovery.

Good (B+, B, B-)

Evidence of grasp of subject, some evidence of critical capacity and analytic ability; reasonable understanding of issues; evidence of familiarity with literature. Students have demonstrated strong overall ability to discover and innovate, and shown strong evidence of accomplishments in discovery.

Fair (C+, C, C-)

Student who is profiting from the university experience; understanding of the subject; ability to develop solutions to simple problems in the material. Students have demonstrated some ability to discover and innovate, and shown satisfactory evidence of accomplishments in discovery.

Marginal (D)

Sufficient familiarity with the subject matter to enable the student to progress without repeating the course. Students have demonstrated marginal ability to discover and innovate, and shown marginal evidence of accomplishments in discovery.

Failure (F)

Little evidence of familiarity with the subject matter; weakness in critical and analytic skills; limited or irrelevant use of literature. Students have demonstrated little evidence of ability to discover and innovate, and shown little evidence of accomplishments in discovery.

Assessment Task

Merger proposal report & project critique

Excellent (A+, A, A-)

Strong evidence of original thinking; good organization, capacity to analyse and synthesize; superior grasp of subject matter; evidence of extensive knowledge base. Students have demonstrated very strong overall ability to discover and innovate, and shown very strong evidence of accomplishments in discovery.

Good (B+, B, B-)

Evidence of grasp of subject, some evidence of critical capacity and analytic ability; reasonable understanding of issues; evidence of familiarity with literature. Students have demonstrated strong overall ability to discover and innovate, and shown strong evidence of accomplishments in discovery.

Fair (C+, C, C-)

Student who is profiting from the university experience; understanding of the subject; ability to develop solutions to simple problems in the material. Students have demonstrated some ability to discover and innovate, and shown satisfactory evidence of accomplishments in discovery.

Marginal (D)

Sufficient familiarity with the subject matter to enable the student to progress without repeating the course. Students have demonstrated marginal ability to discover and innovate, and shown marginal evidence of accomplishments in discovery.

Failure (F)

Little evidence of familiarity with the subject matter; weakness in critical and analytic skills; limited or irrelevant use of literature. Students have demonstrated little evidence of ability to discover and innovate, and shown little evidence of accomplishments in discovery.

Assessment Task

Merger proposal presentation

Excellent (A+, A, A-)

Strong evidence of original thinking; good organization, capacity to analyse and synthesize; superior grasp of subject matter; evidence of extensive knowledge base. Students have demonstrated very strong overall ability to discover and innovate, and shown very strong evidence of accomplishments in discovery.

Good (B+, B, B-)

Evidence of grasp of subject, some evidence of critical capacity and analytic ability; reasonable understanding of issues; evidence of familiarity with literature. Students have demonstrated strong overall ability to discover and innovate, and shown strong evidence of accomplishments in discovery.

Fair (C+, C, C-)

Student who is profiting from the university experience; understanding of the subject; ability to develop solutions to simple problems in the material. Students have demonstrated some ability to discover and innovate, and shown satisfactory evidence of accomplishments in discovery.

Marginal (D)

Sufficient familiarity with the subject matter to enable the student to progress without repeating the course. Students have demonstrated marginal ability to discover and innovate, and shown marginal evidence of accomplishments in discovery.

Failure (F)

Little evidence of familiarity with the subject matter; weakness in critical and analytic skills; limited or irrelevant use of literature. Students have demonstrated little evidence of ability to discover and innovate, and shown little evidence of accomplishments in discovery.

Assessment Task

Final Examination

Excellent (A+, A, A-)

Strong evidence of original thinking; good organization, capacity to analyse and synthesize; superior grasp of subject matter; evidence of extensive knowledge base. Students have demonstrated very strong overall ability to discover and innovate, and shown very strong evidence of accomplishments in discovery.

Good (B+, B, B-)

Evidence of grasp of subject, some evidence of critical capacity and analytic ability; reasonable understanding of issues; evidence of familiarity with literature. Students have demonstrated strong overall ability to discover and innovate, and shown strong evidence of accomplishments in discovery.

Fair (C+, C, C-)

Student who is profiting from the university experience; understanding of the subject; ability to develop solutions to simple problems in the material. Students have demonstrated some ability to discover and innovate, and shown satisfactory evidence of accomplishments in discovery.

Marginal (D)

Sufficient familiarity with the subject matter to enable the student to progress without repeating the course. Students have demonstrated marginal ability to discover and innovate, and shown marginal evidence of accomplishments in discovery.

Failure (F)

Little evidence of familiarity with the subject matter; weakness in critical and analytic skills; limited or irrelevant use of literature. Students have demonstrated little evidence of ability to discover and innovate, and shown little evidence of accomplishments in discovery.

Part III Other Information

Keyword Syllabus

- Lecture 1: Overview and history of M&A (Ch. 1, 7)
 Lecture 2: Legal and accounting issues (Ch. 2, 3)
 Lecture 3: Deal structures; business strategies (Ch. 4, 5)
 Lecture 4: Valuation (Ch. 9)
 Lecture 5: Valuation (Ch. 10)
 Lecture 6: Theories: M&A (Ch. 6)
 Lecture 7: Evidence: M&A (Ch. 8)
 Lecture 8: Theories: Restructuring and divestitures (Ch. 11, 13)
 Lecture 9: Evidence: Restructuring and divestitures (Ch. 12)
 Lecture 10: Alliances and joint ventures; privatization and leveraged buyouts (Ch. 14, 16)
 Lecture 11: International M&A (Ch. 17)
 Lecture 12: Takeover defenses (Ch. 18, 19)
 Lecture 13: Additional topics

Reading List

Compulsory Readings

Title	
1	Weston, J. Fred, Mark L. Mitchell, and J. Harold Mulherin, 2004, Takeovers, Restructuring, and Corporate Governance, 4th/International Edition, Pearson Prentice Hall.

Additional Readings

Title	
1	http://dealbook.nytimes.com - New York Times: provides information on current corporate deals
2	http://www.hkex.com.hk/ Hong Kong Exchanges and Clearing Limited: Information on Hong Kong listed companies.
3	http://www.sfc.hk/sfc/html/EN/index.html Hong Kong Securities and Futures Commission: Regulations on securities and futures markets in Hong Kong.
4	http://www.info.gov.hk/hkma/eng/statistics/ Hong Kong Monetary Authority: Information on Hong Kong banking system, interest rates and monetary policies.
5	http://www.webb-site.com David Webb: An independent, non-profit commentary on Hong Kong's corporate and economic governance.
6	http://www.sec.gov/ U.S. Securities and Exchange Commission: Regulations on securities markets in the US.