

<b>Subject Code</b>	<b>AF5321</b>
<b>Subject Title</b>	<b>Mergers and Acquisitions</b>
<b>Credit Value</b>	3
<b>Level</b>	5
<b>Normal Duration</b>	One Semester
<b>Pre-requisite / Co-requisite/ Exclusion</b>	Pre-requisite: Completion of 5 core subjects (including AF5326 Managerial Finance)
<b>Role and Purposes</b>	<p>Mergers and acquisitions are complex economic activities that encompass a broad range of issues. This subject aims to develop an understanding of the strategic acquisition process both in Hong Kong and overseas. It contributes to the achievement of PgDPA / MPA Programme Outcomes by enabling students to <u>identify real life merger issues and explain the related observations or phenomena in terms of sound financial theories</u>. This is achieved through dissecting mergers and acquisitions at three different levels. On the theoretical level, we will analyze a conceptual framework and examine empirical evidence of the economic functions played by the M&amp;A market. On the technical ground, we will review the legal/regulatory aspects, valuation approaches, accounting methods, deal structuring as well as financing issues relating to M&amp;A activities. On the strategy front, various strategies and tactics used in bidding and takeover defenses will be examined. Local M&amp;A cases and issues will also be discussed where appropriate. Accounting, economic and ethical issues are important ingredients in most of the case analysis. The exposure to these issues will help students <u>applying the up-to-date professional/academic knowledge acquired in this subject to solve similar merger problems in other real case situations</u> (Programme Outcome 5).</p>
<b>Subject Learning Outcomes</b>	<p>Upon completion of the subject, students will be able to:</p> <ul style="list-style-type: none"> <li>(a) <u>examine the merger and acquisition process</u> in the capital market;</li> <li>(b) <u>illustrate the leading methods used in the valuation of a firm for merger analysis</u> such as comparable companies approach, transactions approach, the spreadsheet approach, and the formula approach</li> <li>(c) <u>review the large body of empirical research on M&amp;A and the analysis of the effects of M&amp;A</u>; and</li> <li>(d) <u>assess the different forms of takeovers and acquisition, offers and defenses.</u></li> </ul>

<p><b>Subject Synopsis/ Indicative Syllabus</b></p>	<p><b>Overview of Mergers and Acquisitions</b> Merger and Acquisition theory; Empirical performance of Merger and Acquisition.</p> <p><b>Valuation issues in Mergers and Acquisitions</b> Valuation methodologies; valuation of the target company.</p> <p><b>Takeover regulation in Hong Kong</b> Substantial shareholding; Codes on Takeovers, Mergers and Share Repurchases; SEHK listing Rules.</p> <p><b>Forms of Takeovers</b> Takeover schemes and announcements; other types of acquisitions.</p> <p><b>Deal Structuring</b> Methods of payment for acquisitions; impact of financial strategy.</p> <p><b>Bid Strategies and Tactics</b> Choice of offer consideration, conditions, Management and board considerations.</p> <p><b>Takeover Defenses</b> Resistance motives; bid defence strategies; right of minority shareholders.</p>																																																												
<p><b>Teaching/Learning Methodology</b></p>	<p>The theoretical aspects of this subject will be conducted in class lecture style. This allows a direct contact and discussion between lecturer and students, and also among students. Application of theories and tools will be achieved through problem set. A case study report on mergers and acquisition will also be designed to allow students to apply their knowledge in an integrated manner.</p>																																																												
<p><b>Assessment Methods in Alignment with Intended Learning Outcomes</b></p>	<table border="1"> <thead> <tr> <th data-bbox="527 1287 829 1480" rowspan="2">Specific assessment methods/tasks</th> <th data-bbox="829 1287 985 1480" rowspan="2">% weighting</th> <th colspan="6" data-bbox="985 1287 1450 1413">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th data-bbox="985 1413 1062 1480">a</th> <th data-bbox="1062 1413 1138 1480">b</th> <th data-bbox="1138 1413 1214 1480">c</th> <th data-bbox="1214 1413 1291 1480">d</th> <th data-bbox="1291 1413 1367 1480"></th> <th data-bbox="1367 1413 1450 1480"></th> </tr> </thead> <tbody> <tr> <td data-bbox="527 1480 829 1547">Class participation</td> <td data-bbox="829 1480 985 1547">10%</td> <td data-bbox="985 1480 1062 1547">√</td> <td data-bbox="1062 1480 1138 1547">√</td> <td data-bbox="1138 1480 1214 1547">√</td> <td data-bbox="1214 1480 1291 1547">√</td> <td data-bbox="1291 1480 1367 1547"></td> <td data-bbox="1367 1480 1450 1547"></td> </tr> <tr> <td data-bbox="527 1547 829 1648">Individual assignment</td> <td data-bbox="829 1547 985 1648">15%</td> <td data-bbox="985 1547 1062 1648">√</td> <td data-bbox="1062 1547 1138 1648">√</td> <td data-bbox="1138 1547 1214 1648">√</td> <td data-bbox="1214 1547 1291 1648">√</td> <td data-bbox="1291 1547 1367 1648"></td> <td data-bbox="1367 1547 1450 1648"></td> </tr> <tr> <td data-bbox="527 1648 829 1715">Group case study</td> <td data-bbox="829 1648 985 1715">25%</td> <td data-bbox="985 1648 1062 1715">√</td> <td data-bbox="1062 1648 1138 1715">√</td> <td data-bbox="1138 1648 1214 1715"></td> <td data-bbox="1214 1648 1291 1715">√</td> <td data-bbox="1291 1648 1367 1715"></td> <td data-bbox="1367 1648 1450 1715"></td> </tr> <tr> <td data-bbox="527 1715 829 1782">Final examination</td> <td data-bbox="829 1715 985 1782">50%</td> <td data-bbox="985 1715 1062 1782">√</td> <td data-bbox="1062 1715 1138 1782">√</td> <td data-bbox="1138 1715 1214 1782">√</td> <td data-bbox="1214 1715 1291 1782">√</td> <td data-bbox="1291 1715 1367 1782"></td> <td data-bbox="1367 1715 1450 1782"></td> </tr> <tr> <td data-bbox="527 1782 829 1850">Total</td> <td data-bbox="829 1782 985 1850">100%</td> <td colspan="6" data-bbox="985 1782 1450 1850"></td> </tr> </tbody> </table>							Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c	d			Class participation	10%	√	√	√	√			Individual assignment	15%	√	√	√	√			Group case study	25%	√	√		√			Final examination	50%	√	√	√	√			Total	100%						
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	<p>Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:</p> <p>Class participation – On every meeting session, 60 minutes are allocated to go through some current issues and short cases where students are expected to contribute actively.</p> <p>Individual assignment – Student are required to tackle problems which cover all intended learning outcomes.</p> <p>Group case study – An Asian M &amp; A transaction is studied by the group where students have to go through the whole process, present the case in class and submit a written report.</p> <p>Final examination – 3 hours examination with questions cover all the intended learning outcomes.</p> <p><b>Note: To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Examination components. In addition, the specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturers.</b></p>	
<p><b>Student Study Effort Expected</b></p>	<p>Class contact:</p>	
	<ul style="list-style-type: none"> <li>▪ 13 weeks of three-hour seminar</li> </ul>	<p>39 Hrs.</p>
	<p>Other student study effort:</p>	
	<ul style="list-style-type: none"> <li>▪ Class preparations, reading subject materials/textbook, assignments and group discussions</li> </ul>	<p>78 Hrs.</p>
	<p>Total student study effort</p>	<p>117 Hrs.</p>
<p><b>Reading List and References</b></p>	<p><u>Recommended text</u></p> <p>Patrick A. Gaughan, <i>Mergers, Acquisitions, and Corporate Restructurings University Edition</i>, latest edition, John Wiley and Sons.</p> <p><u>Reference books</u></p> <p>Sudi Sudarsanam, <i>Creating Value from Mergers and Acquisitions: The Challenges</i>, latest edition, Prentice Hall</p> <p>J. Fred Weston, Mark L. Mitchell, and J. Harold Mulherin, <i>Takeovers, Restructuring &amp; Corporate Governance International Edition</i>, latest</p>	

edition, Prentice Hall.

Robert F. Bruner, *Case Studies in Finance*, latest edition, McGraw Hill.

Larry H.P. Lang, *Cases of Mergers and Acquisitions in Hong Kong*, latest edition, Prentice Hall.

Desmond Li, *Mergers and Acquisitions in Hong Kong*, latest edition, FT Law & Tax Asia Pacific.

*The Codes on Takeovers and Mergers and Share Repurchases (latest edition)*

Journal articles

Alma COHEN & Charles WANG, "How do staggered boards affect firm value? Evidence from a natural experiment", *Journal of Financial Economics* 110, 2013, pp.627-641

Theodosios DIMOPOULOS and Stefano SACCHETTO, "Preemptive bidding, target resistance, and takeover premiums". *Journal of Financial Economics* 114, 2014, pp.444-470

David OFFENBERG and Christo PIRINSKY, "How do acquirers choose between mergers and tender offers?". *Journal of Financial Economics* 116, 2015, pp.331-348

Vladimir VLADIMIROV, "Financing bidders in takeover contest." *Journal of Financial Economics* 117 (2015), pp.534-557