

EF4312: MERGERS AND ACQUISITIONS

Effective Term

Semester A 2024/25

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 DEC-A1 DEC-A2 DEC-A3 app.)			
1	Justify 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	Demonstrate analytical frameworks capable of forming critical opinions about proposed M&A or related transactions and discuss real-world M&A or related events.	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.

Learning and Teaching Activities (LTAs)

LTAs		Brief Description	CILO No.	Hours/week (if applicable)
1	Lecture	Students will engage in lectures to gain knowledge about basic concepts and structures. Students will discuss current corporate events related to M&A and restructuring transactions.	1, 2, 3, 4	
2	In-class group activities	Students will participate in in-class group activities including short quizzes, assignments, and discussions of assigned journal articles and current events. Students will enhance their understanding of the topics and materials covered in the most recent lecture (Quiz questions and assignments test students' and the assigned readings. Some in-class group activities may be substituted by a take-home assignment).	1, 2, 3, 4	
3	Local merger case analysis involving use of data on Thomson ONE Banker and Bloomberg	Students will engage in small teams to analyze two recent or ongoing merger or restructuring deals with the financial information available on the Thomson ONE Banker and Bloomberg databases. Students will develop abilities and skills in discover and innovate cases, and familiarize themselves with the databases with the guidance of the lecturer.	3, 4, 5	

4	Merger proposal project (Report and Presentation) involving use of financial data from Bloomberg and Osiris	Students will engage in small teams to develop a pitch book proposing the merger of two companies. Students can select any publicly traded companies and examine companies operating in Hong Kong, Macau, or China. Students will discover and use financial information available to investors to analyze real-world companies. Students will develop an innovative proposal aimed at convincing the management of an acquiring company to proceed with the proposed transaction by (1) explaining the strategies and financial rationale for the deal, (2) evaluating the target and the synergy, and (3) analyzing the deal structure. Students will engage in project presentations with an in-depth understanding of the report, critical thinking, and 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.