

Standard Course Outline

Mergers & Acquisitions

I. General Information

Course Number	GBA 641
Title	<u>Mergers & Acquisitions</u>
Units	4.0
Prerequisites	MBA Basic Skills and Broad Based Courses
Course Coordinator	
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Date prepared/revised	July 2010

II. Catalog Description

This is an integrated course on mergers and acquisitions. By the end of class, students will have an in-depth knowledge of corporate restructuring. Topics include valuation of companies, corporate acquisition financing, acquisition accounting, and short-term and long term impact analysis of financial statements. Special topics include reverse mergers and spin-offs.

III. Curriculum Justifications

This course provides MBA students with a typical complex business problem that they can encounter in their professional career. It provides them with an opportunity to apply knowledge and skills learnt in earlier classes and exhibit management decision-making skills. They learn strategic decision-making involving corporate acquisitions as well as accounting and analyzing the impact of such acquisitions.

This course addresses the following CBA graduate learning goals.

Critical Thinking: Students will be able to demonstrate learning, critical thinking, and problem-solving skills. More specifically, students will be able to understand:

- How businesses are valued
- How acquisitions can be financed
- How acquisitions are accounted for and its impact on short term and long term financial statements
- How acquisitions are reported to the relevant regulatory authorities

Interpersonal, Leadership & Team Skills: Students will be able to demonstrate interpersonal and leadership skills for working in a dynamic and diverse world, both independently and in a team environment. More specifically, students will be able to work in teams within a class environment to negotiate valuation and merger details

Management-Specific Learning Goals: Students will be able to use their acquired knowledge of accounting and finance to address complex business problems.

Quantitative and Technological Skills: Students will use their quantitative and technological skills enabling them address complex business problems. Students will demonstrate how they reach their ultimate decisions to recommend the merger & acquisition based on the comprehensive accounting and financial analyses.

IV. Curriculum and Course Goals and Objectives

The MBA curriculum is designed to provide students with the opportunity to develop knowledge and skills in local and global business practices. The program of study is intended to engage learners in integrative learning experiences across professional personal, content, and skill areas. Courses within the MBA curriculum should include at least one and up to two of the following:

- **Critical Thinking Skills-** students will be able to demonstrate conceptual learning, critical thinking, and problem solving skills.
- **Interpersonal, Leadership, and Team Skills** - students will be able to demonstrate interpersonal communication and leadership skills to work in a dynamic and diverse world, both independently and in a team environment.
- **Social Responsibility Skills** - students will be able to demonstrate awareness and knowledge of social responsibility, ethical leadership, and corporate citizenship in the domestic and global environment.
- **Business functions Skills** - students will be able to demonstrate knowledge of today's dynamic business environment through an understanding of all business functions, practices, and related theories and be able to integrate this functional knowledge in order to address business problems.
- **Quantitative & Technical Skills** - students will possess quantitative and

technical skills enabling them to analyze, interpret, and communicate business data effectively and to improve business performance.

- **Knowledge of the Domestic & Global Environment** – students will be able to demonstrate knowledge of today’s dynamic business environment (e.g. legal, regulatory, political, cultural, and economic) especially the links between our region and the global business world.

Course Goal:

The goal of this course is to develop integrative knowledge and skills in strategizing a comprehensive financial analytical model to address multiple aspects related to M&A and further to maximize the shareholders’ wealth.

Course Learning Outcomes:

Upon completion of this course students are expected to be able to:

- evaluate accounting and financial statements of firms related to M&A,
- examine the feasibilities of evaluation models,
- propose valuation analytical models,
- advise the bidding price to secure the M&A deal;
- file SEC report and comply with SOX

Curriculum Learning Outcomes:

Upon completion of this course students are expected to be able to demonstrate:

Critical Thinking Skills:

As evidenced by:

- Assessing rationales in support of M&A
- Illustrating the comprehension of ratios analyses across different financial reports and accounting statements
- Identifying the essential factors throughout financial analyses
- Developing a strategic procedure and recommending a bidding price in order to consummate a M&A

Social Responsibility Skills:

As evidenced by recognizing the integrity in complying with SEC filing and presenting comprehension of social responsibility, ethical leadership, and corporate citizenship throughout corporate buyouts.

V. Outline of Subject matter topics

- Definitions of Mergers, Acquisitions, Consolidations, Spin-offs, Reverse mergers
- Regulatory Issues

- Review of financial statement analysis
- Valuation of companies
- Accounting for acquisitions
- Reporting to the SEC and other authorities
- Short term and long term impact of acquisitions on financial statements and on business

This is a tentative listing of the subject matter that we will cover in this course.

Weeks/Teaching Activities per Faculty	Topics Covered	<u>Possible Active Learning Goals</u>
Week 1 Accounting -2 Finance -2	Review of Financial Statements Analyses OF: Chapters 1,2, 3, 4A & 6 (review) BE: Ch. 3, 4, and 14. MS: Ch. 1 and 2.	In-class exercises review various firms' financial statements. For example, students download financial statements of real firms from SEC website. Further, they are requested to performance analyses, such as financial ratios, bankruptcy Z score, cash flows estimates, etc.
Week 2~4 Finance -12	Financial Aspect: Investigate rationales of merger & acquisition Justify assumptions of projected accounting/financial ratios Valuation of merger & acquisition – discounted cash flow model vs. comparable multiple model Propose the bidding price BE: Ch. 10, 12, 15 and 25 MS: Ch. 4, 5, 11 and 12. Extra Reading Materials: 1. Ivey: 95B023, "A Note on Mergers and Acquisitions and Valuation" 2. HBR: Reprint 97305, "What's It Worth? A General Manager's	Students engage in discussions during lectures about theories, practices and problems pertaining to M&A. Students provide their feedbacks on the assigned extra reading materials. HBR Case Discussion <ul style="list-style-type: none"> ▪ Each team points out the essential issues of the case. ▪ Each team recommends its own valuation model.

	<p>Guide to Valuation” 3. DARDEN Business Publishing: UV0112, “Methods of Valuation for Mergers and Acquisitions”</p> <p>Case: Microsoft/Intuit HBR NO. 9-295-121</p>	
<p>Weeks 5~7 Accounting -12</p>	<p>Accounting Aspect: Accounting for merger, acquisition and consolidations Post-Acquisitions accounting and reporting SEC reporting and compliance SOX</p> <p>HSD: Ch. 1,2, and 3</p> <p>Case: Microsoft/Intuit HBR NO. 9-295-121</p>	<p>In class exercises related to accounting for real-life acquisitions -- details downloaded from company websites. Students engage in discussions during lectures about theories, practices and problems pertaining to accounting rules implemented in M&A.</p> <p>HBR Case Discussion</p> <ul style="list-style-type: none"> ▪ Each team points out the essential issues of the case. ▪ Each team reports how to comply the accounting reporting procedure.
<p>Week 8 Accounting -4</p>	<p>Accounting Implication of Acquisitions on Reporting:</p> <ul style="list-style-type: none"> - Immediately after the completion of merger & acquisition - A year after the completion of merger & acquisition - Assessment of short-term vs. long-term impact of merger & acquisition on financial statements 	<p>In class assignments reviewing short term and long term impact and tax implications for real-life acquisitions -- details downloaded from company websites in earlier weeks.</p> <p>Students provide their feedbacks on the assigned extra reading material.</p>

	<ul style="list-style-type: none"> - Intercompany transactions - Tax issues <p>HSD: Ch 4 and 5</p> <p>Extra Reading Materials: HBR: 283015-PDF-ENG, "Tax Factors in Business Combinations"</p>	
Week 9	Midterm	Combination of essays and problems solving are adopted. <i>(Assessment of critical thinking & problem solving skills learning objective)</i>
Weeks 12 Accounting -2 Finance -2	<p>Integrated Application with a new real-life case: Explore rationales that Kraft buys Cadbury Project & justify the synergy gains Propose the bidding price Issues involving in global merger & acquisition Role of Mr. Warren Buffet Allocation of purchase price after merger Implications of global merger & acquisition on accounting reports and SEC compliance</p> <p>Kraft Cadbury Case - based upon actual financial reports and other information derived from Internet-based search</p>	<p>Students demonstrate the learned knowledge and analytical skills by working on a real-life M&A case.</p> <p>Real-Life Case Discussion</p> <ul style="list-style-type: none"> ▪ Each team presents their analytical procedures through EXCEL spreadsheets exercise. ▪ Each team documents how to finalize the accounting reports after M&A consummates. <p><i>(Assessment of critical thinking & problem solving skills learning objective)</i></p>
Weeks 13~14 Accounting -2 Finance -6	<p>Special Topics: Besides mergers & acquisitions – corporate alliance, holding companies LBO (Leverage Buyouts) Reverse mergers – spin-off divesture</p>	<p>Students provide their feedbacks on the assigned extra reading material.</p> <p>Students participate in discussions during lectures about</p>

	<p>Implications on accounting and reporting</p> <p>BE: Ch. 25.</p> <p>Extra Reading Materials: HBR: 9-205-116, "Valuation Methods and Discount Rate Issues: A Comprehensive Example" PwC Website: "M&A – Snapshot Series"</p>	<p>theories, practices and problems pertaining to LBO and special accounting rule.</p>
Week 15	<p>Final Exam – Radio One, Inc. HBR Case NO. 9-201-025</p>	<p>Students answer essays and demonstrate EXCEL analytical skills related to the assigned case. <i>(Assessment of critical thinking & problem solving skills learning objective)</i></p>

VI. Methods of Instruction

This course will be taught through class discussions of concepts and applications, problem solving exercises, and case analysis. Student teams will use mergers & acquisitions cases to understand the regulations, procedures, financing, accounting, reporting and impact of the transaction on the company.

Assessment

One of the cases assigned in class will be used to assess graduate learning goals. So the Instructor has to assign a case such that specific questions in the case will assess the learning objectives of the class. For example critical thinking skills can be assessed by asking students to solve the case and at the same time to demonstrate their technical skills, and other specific goals identified as course objectives in this document. This case will also be added to the MBA portfolio maintained by every student.

Instructors in planning the exams, and other grading procedures, should adhere to the relevant University Policy on "[Grades, Grading Procedures, and Final Assessments, Final Course.](#)"

The textbooks for this course should be chosen in accordance with the University Policy on textbooks. As the course integrates accounting and finance knowledge of

the students, the class may require customizing a textbook. Cases will be accessed from case databases such as Darden, Caseplace, Harvard and Ivey.

VII Methods of Assessment/Evaluation

Students will be able to demonstrate learning, critical thinking, and problem-solving skills. More specifically, students will be able to understand:

- a. How businesses are valued
- b. How acquisitions can be financed
- c. How acquisitions are accounted for and its impact on short term and long term financial statements
- d. How acquisitions are reported to the relevant regulatory authorities

The course adopts various evaluation methods such as class discussion pertaining to selected M&A cases, EXCEL analytical models exercises, case presentation and exams.

VIII. Instructional Policy Requirements

The students are expected to comply with the universally accepted norms of considerate and courteous behavior, and with all University rules and policies found in the current University Catalog, including the Withdrawal Policy and Policy on Cheating and Plagiarism.

Students shall attend classes regularly and be responsible for all materials covered in class, regardless of their attendance. Make-up exams are strongly discouraged and will only be given with documented proof of an excused absence. The student should give earliest possible notification of an anticipated excused absence. The students refer to the specific university policy on these issues. Instructors may adjust course assignments when necessary. The students should be notified about any changes and, whenever possible, consulted in advance about any changes.

Students with Disabilities: Students with disabilities are responsible for notifying their instructor as early as possible of their needs for an accommodation of a verified disability. A student with a disability is urged to consult with Disabled Student Services as soon as possible in order to identify possible accommodations to enhance academic success.