

CORPORATE INVESTMENT THEORY AND POLICY
CLASS CODE AG431
2019/20 SEMESTER 2

NAME OF LECTURER

Devraj Basu

CLASS DESCRIPTION

The class focuses on mergers and acquisitions.

CLASS AIMS

This course is dedicated to the valuation, structuring, financing and negotiating of M&A transactions. It provides the students with a background for understanding mergers and acquisitions and corporate restructuring and addresses crucial questions including: What can we learn from theories on M&A? What is the empirical evidence? How does one value companies acquiring, or being acquired? How can a merger be funded in such a way as to retain the merged entity's flexibility? When do leveraged buy-outs make sense, and how can they be financed?

LEARNING OUTCOMES

Subject-specific knowledge and skills

On completing this class you will have the ability to read and properly interpret the theories and evidence relating to mergers and acquisitions, involving the analysis, synthesis and evaluation of a variety of complex ideas. More specifically you will be able to understand and explain:

- A1** Theories and evidence relating to corporate takeovers [market for corporate control], and how they might be interpreted.
- A2** Theories and evidence relating to corporate diversification.
- A3** Agency explanations of corporate investment decisions.
- A4** The interaction of financing and acquisition decisions.
- A6** Latest developments in the literature.

Cognitive abilities and non-subject specific skills

- B1** The ability to extract arguments, and modes of reasoning and evidence from theoretical and empirical academic articles, and to establish their contribution to our understanding and interpretation of key issues.
- B2** The ability to consider the relevance of academic articles to real world observations relating to both individual and institutional behaviour.
- B3** The ability to communicate the essence of academic articles to peer groups.

- B4** The ability to explain and discuss complex issues in a form and language that will extend communication beyond the peer group.

ASSESSMENT

Coursework 30%

Final 2-hour examination 70%

Coursework 1 Students are required to write an essay based on a specific merger, focusing on a number of issues that will be outlined. The merger documents will be posted on the course website.

- **Late submission:**
- **The Business School follows the University's policy for the late submission of assessed work:**

https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Policy_and_Procedure_for_the_Late_Submission_of_Coursework.pdf.pagespeed.ce.dLHAb3k-D.pdf

Reassessment

There are no resits for honours classes.

TEACHING AND LEARNING

The mode of teaching is ten 2-hour lectures plus 1-hour workshops.

The class meets each week for ten weeks on Thursdays, 10-12 and 3-4 in the Thomas Graham building.

PREREQUISITES

AG215 Business Finance, plus acceptance into the honours year.

READING

- Course textbook:
- Takeovers, Restructuring and Corporate Governance, 4th Edition, 2004, By J.Fred Weston, Mark L. Mitchell and J. Harold Mulherin, Pearson/Prentice Hall

Additional resources:

- VALUATION The Art and Science of Corporate Investment Decisions, 2007, By Sheridan Titman and John D. Martin, Pearson/ Addison Wesley
- Creating Value from Mergers and Acquisitions The challenges, 2003, By Sudi Sudarsanam, FT Prentice Hall

- Valuation: Measuring and Managing the Value of Companies, 4th Revised edition 2005, By McKinsey & Company, Tim Koller, Marc Goedhart and David Wessels, John Wiley & Sons Inc.

INDICATIVE LECTURE PROGRAMME

A. Session 1

- Takeover Process
- Readings: Chapter 1

B. Session 2

- Theories of Mergers
- Readings: Chapter 5

C. Session 3

- Timing of Merger Activity
- Readings: Chapter 7

D. Session 4

- Empirical Tests
- Readings: Chapter 8

E. Session 5

- Alternative Approaches to Valuation
- Readings: Chapter 9

F. Session 6 and 7

- Increasing the Value of the Organization and Synergy Valuation
- Readings: Chapter 10 and Acquisition Valuation notes

G. Session 8

- Going Private and Leveraged Buyouts
- Readings: Chapter 16

H. Session 9

- Cross Border Mergers
- Readings: Case Studies on Myplace

UNIVERSAL MARKING GUIDE (ASSESSMENT DESCRIPTOR) 2009/2010

%	Descriptor
80 – 100	<p><u>Outstanding demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • wide, appropriate knowledge and understanding (and where appropriate effective project work) including insight and originality • evidence of reading and thought beyond course/assignment materials • appropriate use of references and exemplars • an outstanding standard of writing and communication and/or presentation
70 – 79	<p><u>Excellent demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • wide, appropriate knowledge and understanding (and where appropriate effective project work) including insight or originality • evidence of reading and thought beyond course/assignment materials • appropriate use of references and exemplars • an excellent standard of writing and communication and/or presentation
60 – 69	<p><u>Comprehensive demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • wide appropriate knowledge and understanding (and where appropriate effective project work) with only occasional lapses in detail • evidence of reading and thought beyond course/assignment materials • a high standard of writing and communication
50 – 59	<p><u>Satisfactory demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • sound knowledge and understanding of essential material (and where appropriate essential project skills) • general accuracy with occasional mistakes and/or uncoordinated use of information
40 – 49	<p><u>Adequate demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • basic knowledge and understanding (and where appropriate basic project skills) • omissions and/or weaknesses of presentation and/or logic and/or evidence
30 – 39	<p><u>Limited demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • some relevant information and limited understanding (and where appropriate some project work completed under supervision) • omissions and/or weaknesses of presentation and/or logic and/or evidence • lack of familiarity with the subject of assessment and/or assessment vehicle
20 – 29	<p><u>Inadequate demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • a few key words, phrases or key ideas • extensive omissions and/or weaknesses of presentation and/or logic and/or evidence • serious errors • inadequate evidence of learning or inadequate project work
1 – 19	<p><u>Weak performance in learning outcomes</u></p> <ul style="list-style-type: none"> • serious errors • extensive omissions and/or weaknesses of presentation and/or logic and/or evidence • deficient evidence of learning or deficient evidence of project work
0	No relevant work submitted for assessment