

# IB3H7-12 Mergers and Acquisitions

**20/21**

**Department**

Warwick Business School

**Level**

Undergraduate Level 3

**Module leader**

Nickolay Gantchev

**Credit value**

12

**Module duration**

10 weeks

**Assessment**

Multiple

**Study location**

University of Warwick main campus, Coventry

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## Description

### Introductory description

N/A.

[Module web page](#)

### Module aims

The principal module aims are:

1. To equip students with a sound understanding of the main issues in mergers and acquisitions (M&As) including value creation in M&As, abnormal returns, merger waves, private equity and merger arbitrage.
2. To engage students in research-led learning through direct work with data and research papers.

### Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

The module will cover the following topics:

- Value creation in takeovers.
- Abnormal returns.
- Merger waves (Main characteristics of individual waves and theoretical explanations for cyclical patterns).
- Private equity.
- Merger arbitrage.
- Takeover defences.

## Learning outcomes

By the end of the module, students should be able to:

- Understand the functioning of private equity funds and their role in recent M&A activities, and assess the validity of recent accusations against private equity investors.
- Critically reflect on the acquisition process as a complex situation where both the buyer and the seller have to assess many issues (such as payment method, hostility, deal initiation, auction design).
- Recognize merger waves, identify the key characteristics of past merger waves and provide theoretical explanations for their occurrence.
- Identify the relevant issues in accounts of M&A activity in the financial press and relate these to theoretical explanations discussed in lectures.
- Assimilate the findings of key research papers in the area of M&A, and critically reflect on the contribution of these papers to our understanding of the M&A process.
- Evaluate and interpret market reaction to a particular M&A deal for the target, bidder and in combination.

## Indicative reading list

No core text.

Boone and Mulhering, 2009, 'Is There One Best Way to Sell a Company? Auctions Versus Negotiations and Controlled Sales,' *Journal of Applied Corporate Finance*, 2009, 21 (3), 28:38.

Devos, Kadapakkam and Krishnamurthy, 2009, 'How Do Mergers Create Value? A Comparison of Taxes, Market Power, and Efficiency Improvements as Explanations for Synergies,' *Review of Financial Studies* 22(3), 1179-1211.

Faccio and Masulis, 2005, 'The choice of payment method in European mergers and acquisitions,' *Journal of Finance* 60 (3), 1345-88.

Harford, 2005, 'What drives merger waves?' *Journal of Financial Economics* 77, 529-560.

Hazelkorn, Zenner and Shivdasani, 2004, 'Creating Value With Mergers and Acquisitions' *Journal of Applied Corporate Finance* 16 (2-3), 81-90.

Jensen, 2005, 'Agency Costs of Overvalued Equity,' *Financial Management* 34(1), 5-19.

Savor and Lu, 2009, 'Do stock mergers create value for acquirers?' *Journal of Finance* 64(3), 1061-97.

## Subject specific skills

Identify mechanics, nature and sources of merger arbitrage.

Extract key information and data from external sources such as the financial press, annual reports, M&A data bases.

Use spreadsheet modelling techniques to value target firms and to compute abnormal returns in M&A situations.

## Transferable skills

Demonstrate effective problem solving and team working skills.

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## Study

### Study time

Type	Required
Lectures	10 sessions of 2 hours (16%)
Seminars	9 sessions of 1 hour (7%)
Private study	36 hours (29%)
Assessment	58 hours (47%)
Total	123 hours

### Private study description

Private Study.

## Costs

No further costs have been identified for this module.

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## Assessment

You do not need to pass all assessment components to pass the module.

### Assessment group D2

	Weighting	Study time
Participation	10%	9 hours
Participation in activities on a weekly basis via my.wbs		
Group Presentation	10%	
Online Examination	80%	49 hours
Exam		

~Platforms - AEP

## Weighting

## Study time

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- Online examination: No Answerbook required

### Assessment group R

	Weighting	Study time
Online Examination Exam	100%	
~Platforms - AEP		

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- Online examination: No Answerbook required

### Feedback on assessment

Individual feedback on each of the two group assignments. Generic feedback on exam performance.

[Past exam papers for IB3H7](#)

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## Availability

### Pre-requisites

To take this module, you must have passed:

- Any of
  - IB235-12 Finance 1: Financial Markets
  - IB253-12 Principles of Finance 1

## Courses

This module is Optional for:

- UIBA-MN34 Law and Business Four Year (Qualifying Degree)
  - Year 3 of MN34 Law and Business Studies Four Year (Qualifying Degree)
  - Year 4 of MN34 Law and Business Studies Four Year (Qualifying Degree)
- Year 3 of UIBA-N211 Undergraduate Information Systems Management and Innovation
- Year 4 of UIBA-N214 Undergraduate Information Systems Management and Innovation (with

Intercalated Year)

- Year 4 of UIBA-N140 Undergraduate International Business
- Year 4 of UIBA-N1R1 Undergraduate International Business with French
- Year 4 of UIBA-N1R2 Undergraduate International Business with German
- Year 4 of UIBA-N1R3 Undergraduate International Business with Italian
- Year 4 of UIBA-N1R4 Undergraduate International Business with Spanish
- Year 3 of UIBA-MN31 Undergraduate Law and Business Studies
- UIBA-MN32 Undergraduate Law and Business Studies
  - Year 3 of MN32 Law and Business Studies (Four-Year)
  - Year 4 of MN32 Law and Business Studies (Four-Year)
- UIBA-MN37 Undergraduate Law and Business Studies (Qualifying Degree) with Intercalated Year
  - Year 4 of MN37 Law and Business Studies (Qualifying Degree) with Intercalated Year
  - Year 5 of MN37 Law and Business Studies (Qualifying Degree) with Intercalated Year
- UIBA-MN35 Undergraduate Law and Business Studies with Intercalated Year (3+1)
  - Year 3 of MN35 Law and Business Studies with Intercalated Year (3+1)
  - Year 4 of MN35 Law and Business Studies with Intercalated Year (3+1)
- UIBA-MN36 Undergraduate Law and Business Studies with Intercalated Year (4+1)
  - Year 4 of MN36 Law and Business Studies with Intercalated Year (4+1)
  - Year 5 of MN36 Law and Business Studies with Intercalated Year (4+1)
- Year 3 of UMAA-G1NC Undergraduate Mathematics and Business Studies

This module is Option list A for:

- UIBA-N203 BSc in International Management
  - Year 4 of N203 International Management
  - Year 4 of N203 International Management
- UIBA-N201 BSc in Management
  - Year 3 of N201 Management
  - Year 3 of N230 Management with Finance
- UIBA-N202 BSc in Management (with Intercalated Year/UPP)
  - Year 4 of N202 Management (with Intercalated Year)
  - Year 4 of N231 Management with Finance (with Intercalated Year)
- Year 3 of UIBA-NN35 Undergraduate Accounting and Finance
- UIBA-NN36 Undergraduate Accounting and Finance (with Intercalated Year/Undergraduate Partnership Programme)
  - Year 4 of NN36 Accounting and Finance (Intercalated)
  - Year 4 of NN37 Accounting and Finance (Undergraduate Partnership Programme)

This module is Option list B for:

- Year 3 of UIBA-N201 BSc in Management
- Year 4 of UIBA-N202 BSc in Management (with Intercalated Year/UPP)