

# IB3H7-15 Mergers and Acquisitions

**20/21**

**Department**

Warwick Business School

**Level**

Undergraduate Level 3

**Module leader**

Nickolay Gantchev

**Credit value**

15

**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 (13%)
Seminars	9 sessions of 1 hour (6%)
Private study	47 hours (31%)
Assessment	74 hours (49%)
Total	150 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%	65 hours
Exam		

~Platforms - AEP

## Weighting

## Study time

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- Online examination: No Answerbook required

### Assessment group R

	Weighting	Study time
Online Examination - Resit 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
  - [IB253-15 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)
- UECA-3 Undergraduate Economics 3 Year Variants
  - Year 3 of L100 Economics

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- UECA-4 Undergraduate Economics 4 Year Variants
  - Year 4 of L103 Economics with Study Abroad
  - Year 4 of LM1H Economics, Politics & International Studies with Study Abroad
  - Year 4 of LM1H Economics, Politics & International Studies with Study Abroad
- UECA-LM1D Undergraduate Economics, Politics and International Studies
  - Year 3 of LM1D Economics, Politics and International Studies
  - Year 3 of LM1D Economics, Politics and International Studies
- Year 3 of UIBA-MN31 Undergraduate Law and Business Studies
- Year 3 of UIBA-MN32 Undergraduate Law and Business Studies
- 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 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)
  - Year 4 of MN35 Law and Business Studies with Intercalated Year (3+1)

This module is Unusual option for:

- UPHA-V7ML Undergraduate Philosophy, Politics and Economics
  - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)

This module is Option list G for:

- UPHA-V7ML Undergraduate Philosophy, Politics and Economics
  - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)