

THE UNIVERSITY OF
NEW SOUTH WALES



Australian School of Business
School of Banking and Finance

FINS5538
TAKEOVERS, RESTRUCTURING AND CORPORATE GOVERNANCE

COURSE OUTLINE
SESSION 1, 2008

<u>1. COURSE STAFF</u>	<u>3</u>
1.1 Communication with Staff	3
<u>2. INFORMATION ABOUT THE COURSE</u>	<u>3</u>
2.1 Teaching times and Locations	3
2.2 Units of Credit	3
2.3 Relationship of this course to other course offerings	3
2.4 Approach to learning and teaching	3
<u>3. COURSE AIMS AND OUTCOMES</u>	<u>3</u>
3.1 Course Aims	3
3.2 Student Learning Outcomes	3
3.3 Teaching Strategies	4
<u>4. STUDENT RESPONSIBILITIES AND CONDUCT</u>	<u>4</u>
4.1 Workload	4
4.2 Keeping informed	4
<u>5. LEARNING ASSESSMENT</u>	<u>5</u>
5.1 Formal requirements	5
5.2 Assessment Details	5
5.3 Special Consideration and Supplementary examinations	5
<u>6. ACADEMIC HONESTY AND PLAGIARISM</u>	<u>5</u>
<u>7. STUDENT RESOURCES</u>	<u>6</u>
7.1 Course Resources	6
7.2 Other Resources, Support and Information	7
<u>8. CONTINUAL COURSE IMPROVEMENT</u>	<u>8</u>
<u>9. COURSE SCHEDULE</u>	<u>8</u>
<u>10. ABOUT THE INSTRUCTORS</u>	<u>9</u>

1. COURSE STAFF

Dr Ronan Powell

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Consultation: Tuesday's 16.00-18.00

1.1 Communication with Staff

You can me by email or telephone, or call by my office during consultation hours. If you require a meeting outside my consultation hours, contact me to arrange a mutually convenient time. Students are encouraged to regularly check the WebCT Vista site for course announcements.

2. INFORMATION ABOUT THE COURSE

2.1 Teaching times and Locations

Tuesday's, 18.00-21.00 (ChemSc M10)

2.2 Units of Credit

The course has 6 units of credit and 3 contact hours per week for 12 weeks.

2.3 Relationship of this course to other course offerings

FINS5538 is an elective on the MCom program. Material covered in Investments (FINS5513) has direct relevance to this course. In particular, topics relating to investment, capital structure and agency theories provide some guidance in helping to explain corporate restructuring activity. Furthermore, standard valuation techniques (e.g., discounted cash flow) covered in Capital Budgeting & Financial Decisions (FINS5514) will be used in conjunction with alternative techniques (e.g., comparable firms' analysis) to value merger targets.

2.4 Approach to learning and teaching

The teaching and learning approach adopted emphasises the importance of developing critical thinking and analytical skills. This is achieved through a mix of informal lectures, lab sessions, intensive discussion groups and group work. An important part of the course is linking material covered in class with work undertaken in mergers and acquisitions by the investment banking industry. This is achieved by using several learning techniques, including, (1) the use of an extensive database of actual takeovers that students use in exercises designed to understand actual mergers and acquisitions; (2) class room discussions based on mini-case studies drawn from the text book and academic papers; and (3) analytical and problem solving skills, focusing on valuation problems using spreadsheet analysis. Students will be expected to participate actively in all classroom activities and will have the opportunity to discuss their own research findings from group project work.

3. COURSE AIMS AND OUTCOMES

3.1 Course Aims

This course aims to provide an accessible introduction to the literature on corporate takeovers, other forms of corporate restructurings and governance. It includes a complete, yet concise synthesis of the recent available literature on takeovers, restructuring and corporate governance within a logical, analytical structure.

3.2 Student Learning Outcomes

On completion of the course, you will:

1. Have a thorough understanding of the takeover process, specifically the legal, tax and accounting issues related to Australia and in major overseas markets;
2. Be able to work in teams to manipulate large datasets, develop econometric models and test hypotheses and theories using financial statement and market-based data;
3. Have developed sound critical and analytical skills, be able to write-up and articulate your own research results in report format;
4. Have an understanding of the restructuring choices faced by managers and how these choices can help resolve agency problems within the firm;
5. Have an understanding of the methodological issues surrounding the measurement of a firm's long-run performance and models of expected performance;
6. Be able to evaluate the impact of takeovers on both short-term and long-term shareholder value;
7. Have a deeper understanding of valuation models, particularly industry standard methods, including DCF, residual income and comparable firms approaches;
8. Be able to implement merger arbitrage and takeover prediction investment strategies;
9. Have a deeper understanding of the alternative forms of corporate restructuring open to management, including LBOs, joint ventures, going private transactions and divestitures;
10. Have a sound knowledge of potential defences managers can use to help defend against unwanted bids;
11. Have a good understanding of M&A implementation and governance issues.

3.3 Teaching Strategies

Several teaching strategies will be utilised to ensure the above learning outcomes are achieved. Informal lectures will be used to first cover the research literature. Discussion groups, case studies and group work using actual data will be used to test both your understanding of the theoretical underpinning of the literature and its application in explaining restructuring activity in a practical applied setting. During a typical 3-hour session, the first half of class will be devoted to covering the lecture material, which you will have read prior to class. The second half of the class will typically involve the use of discussion groups and student group work results to debate key issues raised during the lecture. The use of case studies related to lecture material will also form one part of the learning process.

4. STUDENT RESPONSIBILITIES AND CONDUCT

4.1 Workload

It is expected that you will spend at least **ten hours** per week studying this course. This time should be made up of reading, research, working on the group project and class attendance. Note that during periods when you need to complete group project work and prepare for formal exams, the workload will be significantly greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

4.2 Keeping informed

Subject webCT page: <http://vista.elearning.unsw.edu.au/webct/entryPage.dowebct>. To access the site, you need a valid Unipass number if you are using campus wide PCs. If you wish to access the site from your home or work PC you will need to connect to the University Dial-Up System (UDUS). Details about Unipass and UDUS may be obtained from www.disconnect.unsw.edu.au/old-index.html.

5. LEARNING ASSESSMENT

5.1 Formal Requirements

In order to pass this course, you must achieve an overall mark of at least 50%

5.2 Assessment Details

- Group project: You will be divided into groups and provided with a dataset comprising of: (1) Corporate restructuring activity; and (2) Accounting and market-based data. Each group will be given a set of research questions related to the material covered in the course. You will have to write-up the results of your empirical analysis in report format. The project has a weighting of 30%. Further details of the project will be posted to the subject web page.
- Mid-session in-class exam in week 8 with a weighting of 30%.
- The final exam is a formal closed-book exam held during the university exam period (weighting of 40%). Further details will be posted to the subject web page.

Summary Table

Assessment	Due Date	Weighting	Learning Outcome(s) Assessed
Group Project	TBA	30%	1,2,3,4,5
Mid-session exam	Week 8 (May 6 th)	30%	4,5,6,7
Final Exam		40%	4-11
TOTAL		100%	

5.3 Special Consideration and Supplementary examinations

UNSW policy and process for Special Consideration applies (see <https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>). Specifically:

- Applications for special consideration (including supplementary examinations) must go through UNSW Central administration (within 3 working days of the assessment to which it refers) – applications will **not** be accepted by teaching staff;
- Applying for special consideration does not automatically mean that you will be granted additional assessment or that you will be awarded an amended result;
- If you are making an application for special consideration (through UNSW Central Administration) please notify your Lecturer in Charge;
- Please note: a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

6. ACADEMIC HONESTY AND PLAGIARISM

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see: <http://www.lc.unsw.edu.au/plagiarism/index.html>

Plagiarism is the presentation of the thoughts or work of another as one's own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person's assignment without appropriate acknowledgement;
- paraphrasing another person's work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does *not* amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at:

www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- Correct referencing practices;
- Paraphrasing, summarising, essay writing, and time management;
- Appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle

† Adapted with kind permission from the University of Melbourne.

7. STUDENT RESOURCES

7.1 Course Resources

All course lecture notes, information on assessments and discussion questions can be found on the subject web page (WebCT Vista, see 4.2 above). Students are strongly advised to log into the subject web page at least once a week.

Course Text: Weston, Mitchell and Mulherin: Takeovers, Restructuring and Corporate Governance, Pearson/Prentice Hall, 4th Edition (International), 2004. Web link: www.prenhall.com/weston

Additional readings: Academic papers are listed under the lecture program (below) for each week. They are available in full-text format (pdf files) from the library. Simply go to the library home page and click on the hyper link to 'MyCourse@UNSW' and enter the course code.

7.2 Other Resources, Support and Information

The University and the ASB provide a wide range of support services for students, including:

- **Learning and study support**

ASB Education Development Unit

The Education Development Unit (EDU) provides learning support and assistance to all students in the ASB, to enable them to enhance the quality of their learning. The EDU services are free, and tailored to meet the academic needs of students in the Australian School of Business.

The role of the EDU is to provide

- A range of support initiatives for students from the Australian School of Business in relation to their transition to university;
- Learning skills development, resources and activities for Business students
- Academic writing and skills workshops throughout the session;
- Printed and online study skills resources, such as referencing guides, report writing and exam preparation;
- A drop-in EDU Office containing books and resources that can be borrowed;
- A limited consultation service for students with individual or small group learning needs.

The EDU website www.business.unsw.edu.au/edu contains information, online resources and useful links as well as providing information and dates for workshops. More information about the EDU services including resources, workshop details and registration, and consultation request forms are available from the EDU Office.

EDU Contact Details

Location: Room GO7, Ground Floor, West Wing, ASB Building
Telephone: 02 9385 5584
Email: Edu@unsw.edu.au
Website: www.business.unsw.edu.au/edu

- **UNSW Learning Centre** (<http://www.lc.unsw.edu.au>)
- **EdTec – WebCT information** (<http://www.edtec.unsw.edu.au>)
- **Counselling support** - <http://www.counselling.unsw.edu.au>
- **Library training and support services** - <http://info.library.unsw.edu.au>
- **Disability Support Services** – Those students who have a disability that requires some adjustment in their teaching or learning environment are encouraged to discuss their study needs with the Course Coordinator or the Equity Officer (<http://www.equity.unsw.edu.au/disabil.html>). Early notification is essential to enable any necessary adjustments to be made.

In addition, it is important that all students are familiar with University policies and procedures in relation to such issues as:

- **Examination procedures** and advice concerning illness or misadventure <https://my.unsw.edu.au/student/academiclife/assessment/examinations/examinationrules.html>
- **Occupational Health and Safety** policies and student responsibilities; <http://www.riskman.unsw.edu.au/ohs/Policies%20&%20Procedures/UNSW%20OHS%20Accountability.pdf>

8. CONTINUAL COURSE IMPROVEMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process (http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm) is one of the ways in which student evaluative feedback is gathered. Significant changes to courses and programs within the School are communicated to subsequent cohorts of students.

9. COURSE SCHEDULE

Week 1 (March 11th)

The takeover process

- Chapters 1, 2, 3 & 4
- Companies Act 2001, Chapter 6 (available from web page)

Week 2 (March 18th)

Theories of takeovers

- Chapters 6 & 7

Week 3 (April 1st)

Takeover performance: Short-run methodologies

- Chapter 8, including Appendix A; Chapter 6, Appendix B
- Moeller, S., F. Schlingemann and R. Stulz, 'Firm size and the gains from acquisitions', *Journal of Financial Economics* 73, 2004.
- Questions: A8.1, A8.2

Week 4 (April 8th)

Takeover performance: Long-run methodologies

- Chapter 8
- Mitchell, M., and E. Stafford, 'Managerial performance and long-term stock price performance', *Journal of Business*, 73, 287-328.
- Questions: 8.1, 8.2, 8.3, 8.4, 8.7, 8.8

Week 5 (April 15th)

Lab session (Lab 6, Quad 1030)

Week 6 (April 22nd)

Deal valuation

- Chapters 9 & 10
- Questions: 9.1, 9.2, 9.4, 9.5

Week 7 (April 29th)

Corporate restructuring and divestitures

- Chapters 11 and 12
- J. R. Graham, M. L. Lemmon and J. G. Wolf, 'Does corporate diversification destroy wealth?', *Journal of Finance*, April 2002, 695-720.

Week 8 (May 6th) – mid session exam

Week 9 (May 13th)

M&A strategies: LBOs and international takeovers

- Chapters 16 and 17

Week 10 (May 20th)

Takeover defences

- Chapter 19
- Humphery M. and R. Powell, 'Anti-takeover provisions and takeover returns', UNSW Working Paper, 2008.

Week 11 (May 27th)

Merger arbitrage

- Chapter 21
- Mitchell, M, Pulvino, T and E. Stafford, 'Price pressure around mergers' *Journal of Finance*, 59, 31-63, 2004.
- Case study: Cheap Tickets, Incorporated-Cendant Corporation (page 621)
- Questions: C21.1.1, C21.1.2

Week 12 (June 3rd)

Corporate governance and implementation issues

- Chapter 20 and 22

10. ABOUT THE INSTRUCTOR

Ronan Powell received his PhD in Finance from the University of Essex, in the UK. Prior to taking up a position at UNSW in 2001, he lectured in Finance at the Queen's University of Belfast for six years. He has taught a wide range of finance courses on international affiliated programs in Barcelona, Madrid, Kuala Lumpur and Beijing. His research papers have been presented at international conferences, including the American Finance Association, the European Finance Association, the European Financial Management Association and the Australian Banking and Finance Conference. His research is concentrated in the area of takeovers, with particular reference to measuring wealth effects, modelling and takeover prediction. His work is published in *Applied Financial Economics*, the *Journal of Business, Finance and Accounting*, the *Journal of Corporate Finance* and the *Journal of Banking and Finance*.