

# Teaching guide

## IDENTIFICATION DETAILS

Degree:	Business Administration and Management		
Field of Knowledge:	Social and Legal Science		
Faculty/School:	Legal and Business Science		
Course:	COMPANY MERGERS AND TAKEOVERS		
Type:	Optional	ECTS credits:	3
Year:	3	Code:	7153
Teaching period:	Sixth semester		
Area:	Finance		
Module:	Functional administration of business areas		
Teaching type:	Classroom-based		
Language:	English		
Total number of student study hours:	75		

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## SUBJECT DESCRIPTION

Merger and acquisitions is an elective course in the third grade. The acquisition of companies is one of the most common transactions in business these days. Corporations do acquisitions to expand their products and gain new markets. The course provides the student with the tools required to assess the acquisition of companies using the modern valuation techniques. After completing the course,

students will be able to understand the use of Mergers and Acquisitions in business.

The subject Merger and Acquisition of Companies is an elective of the third year of Degree.

The objective of this subject is to provide the student with the necessary knowledge to correctly assess the processes of external growth and business restructuring.

Mergers and acquisitions of companies is one of the investment operations that have been carried out the most in recent years as a means of gaining competitiveness in the market. But in addition to the objectives of economic and financial profitability, we also intend to train the student in values, and give them a more complete knowledge as seekers of the truth.

Starting from the Christian anthropology that inspires our university, the goal we seek as professors at the Francisco de Vitoria University is the community search for truth and good.

## GOAL

The objective of the course is to provide students with a "tool kit" of hard skills that are required to perform the valuation of companies and to impact the creation of value through the application of key levers, such as indebtedness or working capital management.

In addition, the subject studies the processes by which both public and private acquisitions are undertaken, highlighting the role of regulation in the protection of shareholders, as well looking at the world of Private Equity Investment.

The aim of the course is to provide students with analytical skills, planning and leadership in order to develop an innovative and entrepreneurial spirit.

## PRIOR KNOWLEDGE

Basic Financial Accounting, Financial Planning and Time Value of Money

## COURSE SYLLABUS

- 1.- The Economic - Financial activity of the Company.
  - \* Balance Sheet, Profit and Loss account.
  - \* The economic cycles of business activity. Cycle to C / P and L / P.
  - \* The Average Period of Maturity of the Company.
  - \* The long-term solvency of the company. The Working Capital
- 2.- The analysis of the Economic - Financial Structure of the Company. Ratios
  - \* Situation Ratios.
  - \* Ratios of Solvency and Financial Balance.
  - \* Turnover ratios.
  - \* Profitability ratios.
- 3.- The Merger in Capital Companies. Concept. Types. Phases of the corporate procedure.
- 4.- The Spin-off in Capital Companies. Concept. Types. Phases of the corporate procedure. Differences with the Merger.
- 5.- The global assignment of assets and liabilities in Capital Companies. Types. Phases of the corporate procedure.
- 6.- Acquisition of Listed Companies: PTOs
- 7.- Acquisition of companies. Process and types of acquisition. Regime for the transfer of shares and social participations.
- 8.- Acquisition of companies. Letter of Intent. Features and content
- 9.- Acquisition of companies. Legal Due Diligence. Technological platforms and procedures
- 10.- Acquisition of companies. Acquisition contract. Structure and content.
- 11.- The valuation of the company, The cost of Capital

- \* Cost of the different financial sources of the company.
- \* Cost of Average Capital Weighted

12.- The valuation of the company. Free Cash Flow

- \* Concept of Free Cash Flow.
- \* Calculation of the Free Operating Cash Flow.
- \* Calculation of Financial Free Cash Flow.
- \* Estimation of future Free Cash Flows.
- \* Estimation of the residual value of the company.
- \* Calculation of company value

13.- The valuation of the company. The multiples.

- \* Gordon-Shapiro model
- \* Price - Profit Ratio (PER).
- \* Other ratios used for the valuation of companies.

## EDUCATION ACTIVITIES

### PRESENIAL ACTIVITIES / VIRTUAL SESSIONS

These activities are supported by active teaching methodologies based on flipped learning, which favours the best use of class time so that students participate actively in the development of different activities that ultimately involve greater student participation in their learning. For this, among other techniques, those of carrying out Problem-Based Learning, gamification, project-based learning, etc. will be used.

The teacher will be the one who guides the different sessions that allows the development of the various topics that make up the subject, interspersing theoretical presentations with the approach of exercises or practical cases, which will be discussed and analysed by the students.

These classes are intended for the student to understand and interrelate the concepts explained, with a technical vocabulary in the legal and economic disciplines.

The students will carry out, at the teacher's suggestion, work individually and / or in teams, in order to enhance the autonomy and teamwork of each of the students.

### TUTORIALS

Personalised and individualised attention(as requested) in order to be able to clarify, review the concepts and works carried out during face-to-face classes and those other works to be developed by students as non-face-to-face activities.

The tutorials will serve as an element of support and guidance to the student in their learning process.

The tutoring schedules will be specified on the first day of class or at the request of the student who will request the tutoring from the teacher by mail

### NON-PRESENIAL ACTIVITIES

In addition to the face-to-face activities, the student will have to carry out a theoretical study of the subject, topics developed in class, and a practical study by solving the proposed exercises and preparing or reading the practical cases for discussion and / or presentation in class

**IMPORTANT:** The learning activities, as well as the distribution of working times, can be modified and adapted depending on the different scenarios established following the indications of the health authorities.

## DISTRIBUTION OF WORK TIME

CLASSROOM-BASED ACTIVITY	INDEPENDENT STUDY/OUT-OF-CLASSROOM ACTIVITY
30 hours	45 hours
Class lectures 20h Resolution of exercises 5h	Autonomous study or course material 15h Resolution of exercises and worked examples 15h

## SKILLS

### Basic Skills

Students must have demonstrated knowledge and understanding in an area of study that is founded on general secondary education. Moreover, the area of study is typically at a level that includes certain aspects implying knowledge at the forefront of its field of study, albeit supported by advanced textbooks

Students must be able to apply their knowledge to their work or vocation in a professional manner and possess skills that can typically be demonstrated by coming up with and sustaining arguments and solving problems within their field of study

Students must have the ability to gather and interpret relevant data (usually within their field of study) in order to make judgments that include reflections on pertinent social, scientific or ethical issues

Students must be able to convey information, ideas, problems and solutions to both an expert and non-expert audience

Students must have developed the learning skills needed to undertake further study with a high degree of independence

### General Skills

Ability to carry out synthetic and analytical thought.

To have developed the necessary skills to ensure problems are solved and goals are reached.

To be able to work and make decisions in all manner of situations.

To be able to apply relevant IT knowledge to the field of study.

### Specific skills

To be able to design and manage projects.

To be able to proficiently use the necessary tools to find an optimum financial balance between equity and long-term debt.

To be able to prepare and understand financial statements as a tool for subsequent decision-making, whilst having the ability to verify their veracity.

To be familiar with the techniques, models and methods for evaluating companies and to integrate them within a company's framework.

To be able to effectively use those tools needed for giving presentations.

## LEARNING RESULTS

Understand the basic financial mathematics of valuations as a valuable tool in the business world

To understand different valuation methodologies, why and when to use them

To understand the rules and processes that must be followed when undertaking M&A activity

To fully understand the reason and drivers for M&A activity

To be competent in the understanding and use of business terminology and tools

## LEARNING APPRAISAL SYSTEM

The learning evaluation system will be carried out through the continuous evaluation model, assessing the student's learning process from the continuous monitoring of the work carried out, and is aimed at verifying that the student has acquired the understanding, competencies, skills and results of the planned learning for this subject. This evaluation system will be maintained even in the event of a confinement decreed by the health authorities.

The evaluation system in the ORDINARY CALL will be:

Students in FIRST REGISTRATION, the learning evaluation will be carried out through the following conditions and proportions:

a) Attendance and active participation in class (5%):

Active Participation is key and covers the attention paid, inquisitive nature, challenging and discussion around the topics of the student and/or students.

To achieve the required level of "Attendance and Active Participation in class", attendance should not be less than 80% of classes.

b) Work, resolution of exercises, cases, etc (25%)

Tests of different types covering the whole syllabus may be included in this evaluation. Tests may take the form of; group presentations, multiple choice questionnaires or the development of business / valuation cases.

c) Final exam (70%).

The examinations will be carried out in person as long as the health situations allows. This may be modified to comply with the indications of the relevant health authorities

Any grade obtained in one of the previous sections (a, b or c) lower than 5, will imply that the qualification of that section is not considered for the purpose of determining the final average mark of the call.

In the event that the exam grade is less than 5, the final grade of the call would be the one obtained in the exam. The AVERAGE FINAL NOTE will be determined by the weighted average value of the grades obtained in the three sections, that is: Attendance and participation \* 0.05 + Assignments \* 0.25 + Exam \* 0.70

For those students in 2nd and SUCCESSIVE ENROLLMENTS, and those others with ACADEMIC DISPENSE granted by the Directorate of the degree, the learning evaluation system will be carried out through the following conditions and proportions: a) The works, resolution of exercises and cases will have a weight on the final grade of 30 %. b) The final exam will weigh 70% on the final grade. In this case, the FINAL AVERAGE NOTE will be determined by the weighted average value of the grades obtained in the two sections, that is: Work \* 0.30 + Exam \* 0.70

Any grade obtained in one of the previous sections below 5 will imply that the grade for that section is not considered for the purpose of determining the final average mark for the call. In the event that the exam grade is less than 5, the final grade of the call would be the one obtained in the exam.

The evaluation system in the EXTRAORDINARY CALL will be carried out through the following conditions and proportions: a) The works, resolution of exercises and cases will have a weight on the final grade of 30%. b) The final exam will weigh 70% on the final grade. In this case, the FINAL AVERAGE NOTE will be determined by the weighted average value of the grades obtained in the two sections, that is: Work \* 0.30 + Exam \* 0.70 Any grade obtained in one of the previous sections below 5 will imply that the grade for that section is not considered for the purpose of determining the final average mark for the call. In the event that the exam grade is less than 5, the final grade of the call would be the one obtained in the exam.

**IMPORTANT ::** The exams will be carried out in person as long as the health situation allows it, and may be modified in order to comply with the indications given by the health authorities. To ensure meaningful learning by the student, the deadlines for the proposed activities, individual and group work will be scrupulously respected. Plagiarism behaviours, as well as the use of illegitimate means in the evaluation tests, will be sanctioned in accordance with the established in the Assessment Regulations and the University Coexistence Regulations. "

## BIBLIOGRAPHY AND OTHER RESOURCES

### Basic

MASCAREÑAS, J.: Fusiones y Adquisiciones de Empresas. Editorial. McGraw Hill. 4ª Edición. Madrid, 1995

FERNANDEZ, P.: Valoración de Empresas. Editorial. Gestión 2000.3ª Edición, 2004

\*VV.AA., en Menéndez, A. [dir.] y Rojo A. [dir.]. "Lecciones de Derecho Mercantil". Volumen I. Cizur Menor: Editorial Thomson-Civitas, última edición.

Brealey/Mysers/Allen. Principios de finanzas corporativas. McGraw Hill. 9ª Edición. Madrid, 2008

Joseph H Marren. Merges and Acquisitions, Valuation Handbook- McGraw & Hill 1993

## **Additional**

Throughout the course the student will be provided with topical Press articles to support the subject matter

Asociación Española de Capital Crecimiento e Inversión (ASCRI). PÁGINA WEB <https://www.ascri.org/>

ThomsonReuters M&A League tables 2015-2016

\*VV.AA., en Álvarez Arjona, J.M. [dir.] y Carrasco Perera, A.F. [dir.]. "Adquisiciones de empresas". Cizur Menor: Editorial Thomson-Aranzadi, última edición.