

Discipline Specific Elective Course- 5.4 (DSE-5.4): Accounting for Mergers & Acquisitions and Valuation

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/Practice		
DSE 5.4- Accounting for Mergers & Acquisitions and Valuation	4	3	1	0	Pass in Class XII with Mathematics/Accountancy	Studied Analysis of Financial Statements (DSE 4.4)

Learning Objectives

The course aims to help learners to conceptualise the knowledge of value creation through Mergers and Acquisitions and acquire skills for accounting for Mergers and Acquisitions both from the perspective of India and Internationally.

Learning outcomes

After completion of the course, learners will be able to understand:

1. Analyse value creation through Mergers and Acquisitions.
2. Describe valuation tools used during Mergers and Acquisitions.
3. Demonstrate accounting for Mergers and Acquisitions from Indian Perspective.
4. Demonstrate the accounting for Mergers and Acquisitions from International Perspective.
5. Analyse the different types of Synergic effects and the concept of Demerger along with Reverse Merger.

SYLLABUS OF DSE-5.4

Unit 1: Introduction to Mergers and Acquisitions (9 hours)

Introduction to mergers and acquisitions (M&A), Types of Mergers, Participants in Merger and Acquisition, Understanding financial statements and key valuation concepts, Leveraging M&A for value creation, M&A- Cure for Corporate Turbulence, Fast Track Mergers, Significance of Intellectual Property Rights in M&A, Cross Border Mergers.

Unit 2: Modelling and Valuation (9 hours)

Income Approach (Capitalization Method and Discounted Cash Flow Method); Market Approach (Comparable Company Method); Assets Approach (Book Value Method and Liquidation Method); Modelling for Internal Rate of Return calculations; Discounted cash flow valuation; Due Diligence in M&A, Negotiation; Synergistic benefits and distribution of Synergy gains.

Unit 3: Accounting for Mergers and Acquisitions (Indian Perspective) (9 hours)

Looking at the dynamics of an actual transaction, Examining the effects of the transaction, Accounting for Amalgamation in the nature of Purchase, Accounting for Amalgamation in the nature of Merger, Treatment of Reserve on Amalgamation, Amalgamation after balance sheet date, Acquisition under Business Transfer Agreement (BTA), Accounting for Business Combination as per Ind AS 103, Identifying a business combination, Acquisition Method, Acquisition Date, Applications of Acquisition methods, Common Control Accounting as per Ind AS 103, Accounting for Acquisition-related Transaction Costs, Acquisition of control through the acquisition of Equity Shares, Acquisition of Group of Assets.

Unit 4: Accounting for Mergers and Acquisitions (International Perspective) (9 hours)

Identification of the Acquirer, Determining the Acquisition Date, Recognising and Measuring Identifiable Assets Acquired & Liabilities, Conditions for Recognition (IFRS 3 Paras 10-14), Measurement Principle- Fair Values (IFRS 3 Para 18) subject to Exceptions (IFRS 3 Paras 22-31A), Recognising and Measuring any Non-Controlling Interest (NCI), Identifying and Measuring Consideration (IFRS 3 Para 37), Recognising and Measuring Goodwill or Gain from a Bargain Purchase transaction, Controversies and Dilemma in Accounting for M&A, Accounting for M&A, Features of Pooling Accounting, Criteria for Pooling of Interests, Incentives to choose Pooling Over Purchase, Accounting for Valuation of Goodwill, IFRS-3 on International Accounting Standards for M&A, Comparison between Indian GAAP and IFRS-3.

Unit 5: Laws and Regulations affecting M&A, Demerger and Reverse Merger (9 hours)

Tax Laws, The Companies Act, 2013, The Competition Act, 2002, SEBI Regulations and any other laws and regulations affecting M&A, Substantial Acquisitions and Buyouts in listed and unlisted space, Ethical Considerations in M&A; Conceptualization of Demerger; Tax Laws, The Companies Act, 2013, SEBI Regulations and any other laws and regulations affecting Demerger; Accounting Aspects of Demerger, Demerger vs. Reconstruction; Reverse Merger.

Exercises:

The learners are required to:

1. Collect information from business newspapers, periodicals, print and digital media for analysing reasons for mergers, acquisitions and demergers.
2. Analyse the annual reports of companies before and after the merger to evaluate the tools applied for valuation.
3. Discuss and analyse the case study on domestic mergers.
4. Discuss and evaluate the impact of cross border mergers.

5. Analyse the impact of laws and regulation and its results on the merger and acquisition, demerger and reverse merger.

Suggested Readings:

- DePamphilis, D. M. (2021). *Mergers, Acquisitions, and Other Restructuring Activities: An Integrated Approach to Process, Tools, Cases and Solutions*. United States: Elsevier.
- Koller, T., Goedhart, M., & Wessels, D. (2020). *Valuation: Measuring and Managing the Value of Companies*. New Jersey, United States: Mckinsey & Company.
- Pettit, B. S., & Ferris, K. R. (2013). *Valuation for Mergers & Acquisitions*. London, United Kingdom: FT Press.
- Reed, S. F., Lajoux, A., & Nesvold, H. P. (2019). *The Art of M&A: A Merger Acquisition Buyout Guide*. London, United Kingdom: Tata Mcgraw Hill.
- Sherman, A. J. (1998). *Mergers & Acquisitions from A to Z: Strategic and Practical Guidance for Buyers and Sellers*. United States: Goodreads.
- Sudarsanam, S. (2003). *Creating Value from Mergers and Acquisitions: The Challenges*. Delhi, India: Prentice-Hall.
- Zadeh, A. A., & Meeks, G. (2021). *Accounting for M&A: Uses and Abuses of Accounting in Monitoring and Promoting Merger*. New York, United States: Routledge.

Additional Resources:

- AS – 14 issued by the Institute of Chartered Accountants of India.
- Educational Material on Indian Accounting Standard (Ind AS) Business Combinations issued by The Institute of Chartered Accountants of India.
- IFRS–3 issued by the International Accounting Standard Board.
- Ind AS 103 issued by the Ministry of Corporate Affairs, India.
- Study Material of the Institute of Cost Accountants of India for the “Strategic Performance Management and Business Valuation”.
- Study Material of the Institute of Company Secretary of India for the Professional Programme Course on “Valuation and Business Modelling”.

Note: Suggested readings will be updated by the Department of Commerce and uploaded on the Department's website.