

**The Hong Kong University of Science & Technology  
Department of Accounting**

**ACCT4802 – Valuation and Risk Management in Mergers and Acquisitions**

**Course Outline – Spring 2026**

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Instructor: Dr. Shiheng Wang 汪诗衡  
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Classes: Monday and Wednesday, RM1009, LSK building  
L1: 12:00-13:20

Couse website: <https://canvas.ust.hk/>  
Office Hours: By appointment  
TA: Chloe Tay (LSK building, Room 6066; 2358-7582; actaychloe@ust.hk)  
TA office hours: By appointment

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**Course Objectives**

The course is designed to enhance student ability in reading, understanding and analyzing complicated financial statements that involve mergers and acquisitions (M&A) based on a number of case studies, and to benefit any students who desire to increase their ability to profitably exploit financial information that involves complex financial scenarios, such as M&A. In addition, students are expected to integrate accounting with insights from financial economics to understand and analyze economic incentives and risk factors of M&A, therefore converting accounting data into decision making information and express strategic business plans and investment ideas in a powerful and convincing way.

**Course Learning Outcomes**

At the end of this course, you should be able to:

1. Understand latest financial reporting rules for M&A deals.
2. Understand the determinants of synergies of an M&A deal and how synergies impact value creation of the combined entities.
3. Understand operational, financial and governance risks involved in M&A deals and responding risk management strategies.
4. Effectively analyze complicated financial statements to assess synergy, value growth, and risks of M&A.

## Course Materials

- **Class Handouts**

All course materials (e.g., lecture slides, case studies, additional readings, class handouts, group assignments, etc.) will be available for download from Canvas.

- **Suggested Reference Book**

*Mergers, Acquisitions, and Other Restructuring Activities-An Integrated Approach to Process, Tools, Cases and Solutions*, 2025, 12th Edition, by Donald M. DePamphilis.

## Course Assessment

This course cannot be taken on a Pass/Fail basis. Your overall grade for the course will be determined as follows:

	<u>Weight</u>
Group Assignments	80%
Peer Review	10%
Participation/Professionalism	10 %
<b>Total</b>	<b>100 %</b>

- **Group Assignments (90%)**

Group assignments constitute 90% (including 10% peer review) of your final grade. All assignments will allow you to practice applying the fundamental concepts to actual financial statement information. You may collaborate with up to two other registered students to formulate your homework answers. If you choose to collaborate with others on a homework assignment, then only one answer sheet, reflecting the consensus of the group, may be turned in for a grade. Assignments submitted after the deadline will get zero points.

While ChatGPT is allowed when you prepare for the assignments, unfortunately it is not “intelligent” enough to understand complex business transactions and handle questions in the assignments (based on my own experience). Work on your own!

- **Assignment Due Date**

<b>Assignments</b>	<b>Submission Deadline</b>
#1 (20 points)	February 16, 12:00pm
#2 (30 points)	March 23, 12:00pm
#3 (40 points)	April 8, 12:00pm
#4 (30 points)	April 27, 12:00pm
#5 (40 points)	May 13, 12:00pm
Total (160 points)	

- **Class Participation and Professionalism (10%)**

Student participation is an important element of this course. Participation grades will be based on my assessment of your level of effort in providing high quality (not quantity) thoughts, comments, and questions. However, you should not feel a need to be deep and insightful every time you say something in class. While voluntary participation is strongly encouraged, I will occasionally call on you to provide your thoughts and opinions.

In this course I expect students to act in a professional manner. Therefore, any repeated conduct that distracts me and/or your classmates (e.g., surfing online unrelated to class discussions, excessive talking with neighbors, cell phones ringing) will automatically reduce your class participation and professionalism grade to a zero for the course.

### **In-Class Exercise**

I will offer short exercises (about 20 minutes) in some classes. These exercises aim to assess your understanding of the material, provide immediate feedback, and evaluate my teaching effectiveness. Exercises must be completed individually.

### **Class Attendance and Expectations**

Attend each and every class. If you think you need to skip **more than three lectures**, please do not take this course. There is no textbook for this course. Most of the material you will be tested on will derive from my lecture notes. Once you fall behind, it will be extremely difficult for you to catch up. If you feel you will have a difficult time showing up for class on time and/or tend to skip lectures, then I strongly urge you to drop this course.

### **Office Hours**

My office hours are by appointment only. To make an appointment, please send me an email at [acwang@ust.hk](mailto:acwang@ust.hk). I will do my best to respond to e-mails as quickly as possible. Please include "ACCT4802" in the subject line of your email to facilitate a faster response.

**Tentative Topics for Class Coverage (Subject to Change)**

Dates	Topic
Feb 2	<b>Course Overview</b> <b>Topic 1: Introduction to M&amp;A</b>
Feb 4, 9, 11	<b>Topic 2: Control Rights, Economic Rights and Incentives</b>
Feb 16, 23, 25	<b>Topic 3: Accounting for Passive and Active Investments</b>
Mar 2, 4, 9, 11	<b>Topic 4: Acquisition Accounting 101</b> <i>Case Analysis</i> <ul style="list-style-type: none"> <li>• Shire's Acquisition of Baxalta</li> <li>• Vivendi Universal: Accounting for Veolia Environment</li> </ul>
Mar 16, 18, 23, 25	<b>Topic 5: Accounting for Post-Acquisition Performance</b> <i>Case Analysis</i> <ul style="list-style-type: none"> <li>• Shire's Acquisition of Baxalta</li> <li>• Vivendi Universal: Accounting for Veolia Environment</li> </ul>
Mar 30 Apr 1, 13, 15	<b>Topic 6: Risk Management in M&amp;A Payments</b> <i>Case Analysis</i> <ul style="list-style-type: none"> <li>• Qwest and Verizon bids for MCI</li> </ul>
Apr 20, 22, 27	<b>Topic 7: Risk Management in Cross-border M&amp;A</b> <ul style="list-style-type: none"> <li>• Consolidation of foreign firms</li> <li>• Financial instruments for hedging exchange rate risks</li> </ul>
Apr 29 May 4, 6	<b>Topic 8: Tax Policies and M&amp;A Structures</b>

## **Reading List**

### **Topic 1: Introduction to M&A**

- Mergers, Acquisitions, and Other Restructuring Activities - Chapters 1-3
- Goldman Sachs: 2026 Global M&A Outlook  
<https://www.goldmansachs.com/what-we-do/investment-banking/insights/articles/2026-ma-outlook>
- EY: Stronger US deal market in 2026 despite mixed economic signals  
[https://www.ey.com/en\\_us/insights/mergers-acquisitions/m-and-a-outlook](https://www.ey.com/en_us/insights/mergers-acquisitions/m-and-a-outlook)

### **Topic 2: Control Rights, Economic Rights and Incentives**

- Mergers, Acquisitions, and Other Restructuring Activities - Chapter 10
- How Are U.S. Family Firms Controlled?
- The Separation of Ownership and Control in East Asian Corporations
- Private Benefit of Control-An International Comparison

### **Topic 3: Accounting for Passive and Active Investment**

- Equity Method Illustrative Problem  
<https://www.youtube.com/watch?v=ZsAKBTxj2vY>
- Statement of Cash Flows- Introduction and Example  
<https://www.youtube.com/watch?v=tYaGBckDVeY>  
<https://www.youtube.com/watch?v=Szq8iex6KRM&t=887s>

### **Topics 4 and 5: Acquisition Accounting**

- The Determinants of M&A Success
- How Synergies Drive Successful Acquisitions
- Five Factors for Effective M&A Integration
- How Boards Can Help Companies Avoid the M&A Synergy Trap
- Who Cares about Goodwill Impairment
- How Many More UPS Like Goodwill Write-downs Hide in the Plain Sight
- U.S. Companies' Goodwill Write-Downs Expected to Rise After 2021 Decline

### **Topic 6: Risk Management in M&A Payments**

- Mergers, Acquisitions, and Other Restructuring Activities - Chapter 11
- Managing M&A Risk with Collars, Earn-Outs and CVRs
- Companies Turn to Earnouts to Find Common Ground on M&A Valuation
- Accounting for Contingent Consideration: Don't Let Earnouts Lead to Earnings Surprises

## **Topic 7: Risk Management in Cross-border M&A**

- Mergers, Acquisitions, and Other Restructuring Activities - Chapter 19
- Exchange Rate Exposure of Exporting and Importing Firms
- Functional Currency <https://www.youtube.com/watch?v=MDYv7y39uC4&t=10s>
- Foreign Currency-Group Accounts [https://www.youtube.com/watch?v=XZ\\_W4-YvjAQ&t=1313s](https://www.youtube.com/watch?v=XZ_W4-YvjAQ&t=1313s)

## **Topic 8: Tax Policies and M&A Structures**

- Mergers, Acquisitions, and Other Restructuring Activities - Chapter 12
- Taxable Acquisitions of Freestanding C Corporations (briefly skim)
- NOL Poison Pills