

**ACCT 533**

**MERGERS AND ACQUISITIONS: TAX PLANNING AND STRATEGY**

**Fall 2021**

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| **Instructor:** | Dr. Shiingwu Wang |
| **Office:** | ACCT 308C |
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| **COURSE DESCRIPTION** |

This is the first half of Acct 582 with a focus on tax issues in mergers and acquisitions. We will first introduce the concept of efficient tax planning. This is followed by an overview of tax effects of important corporate restructuring activities including business combination (M&A), divisive restructuring, asset sell-offs, equity carve-outs, stock buybacks, etc. Although tax code and regulations will be mentioned occasionally, the materials are structured in such a way that a student without tax background will be able to grasp the main concepts associated with M&A.

The remaining part of the course will provide detailed analyses of the effect of taxes on all parties in corporate restructuring activities. In addition, the role and effect of taxes on asset valuation will be presented. Several cases will be used to allow students have exposure to how the structure of a transaction is chosen and how the selected structure affects acquisition prices. While taxes are the main factor in our analysis, non-tax factors will also be identified and their importance discussed.

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| **COURSE OBJECTIVES** |

Upon successful completion of this course, students will be able to:

* Describe the role of tax in business transactions
* Analyze the transaction structure of major corporate restructuring activities
* Identify the tax effect in M&A and divestiture transactions
* Estimate the tax effect on transaction prices (valuation effect)
* Design tax efficient transaction structures for M&A and divestitures

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| **COURSE MATERIALS** |

A course packet for this will be available for a fee. It consists of selected chapters and cases from the following sources.

Scholes, Wolfson, Erickson, Maydew, Shevlin. Taxes and Business Strategy: A Planning Approach, 4rd Ed. (2008) Pearson Prentice Hall. Upper Saddle River, New Jersey (SWEMS).

Pratt and Kulsrud, Corporate, Partnership, Estate and Gift Taxation (PK), 2018 edition (PK).

Erickson, Cases in Tax Strategy, 3rd edition, Pearson Prentice Hall. Upper Saddle River, New Jersey.

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| **GRADING** |

Final grades represent how you perform in the class relative to other students. Your grade will not be based on a mandated target, but on your performance. Three items are considered when assigning final grades:

1. Your average weighted score as a percentage of the available points for all assignments (the points you receive divided by the number of points possible).
2. The overall average percentage score within the class.
3. Your ranking among all students in the class.

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| Assignments | **# of Points** | **% of Overall Grade** |
| Quiz | 75 | 15% |
| Exam 1 | 150 | 30% |
| Exam 2 | 150 | 30% |
| Cases | 75 | 15% |
| Class Participation | 50 | 10% |
| **TOTAL** | 500 | 100% |

Score of the part of the course will be combined with that of the 2nd half of the course (equally weighted) to determine the final grade for the whole course.

**NOTES ON GRADING POLICY**

1. NO MAKE UP EXAMS WILL BE GIVEN.

1. All assignments, exams, and class participation will be evaluated on effectiveness of your communication. This includes grammar, spelling, organization, format and the other essentials of strong and effective communication.

1. All assignments are due on the dates indicated on the course syllabus. Given the complexity of the cases, you are required to work as a group of four (no exception). A group report is due on the date indicated. Late assignment will receive a grade of ZERO.

QUIZZES AND EXAMS

All quizzes and exams are open book/notes and will be given in class.

CASES

A M&A group project is required for this course. The project involves real M&A transactions and will be provided in the later part of the course after students have gained sufficient skills to perform competent analyses. Each group is limited to four students. Refer to the class schedule of the syllabus for the due date of the project.

CLASS PARTICIPATION

Class attendance is very important in developing a coherent view of the materials covered in the course. This is particularly true as there is no single text which ties all of the materials together. It is expected that each student will be prepared for each class and will participate through volunteering or by being called on to add to the discussion.

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| **STATEMENT OF ACADEMIC CONDUCT AND SUPPORT SYSTEMS** |

USC seeks to maintain an optimal learning environment. Students are expected to submit original work. They have an obligation both to protect their own work from misuse and to avoid using another’s work as their own. All students are expected to understand and abide by the principles of academic honesty outlined in the University Student Conduct Code (see University Governance, Section 11.00) of SCampus ([www.usc.edu/scampus](http://www.usc.edu/scampus) or <http://scampus.usc.edu)>. The recommended sanctions for academic integrity violations can be found in Appendix A of the Student Conduct Code.

**Students with Disabilities:**

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability which may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Disability Services and Programs ([www.usc.edu/disability](http://www.usc.edu/disability)). DSP provides certification for students with disabilities and helps arrange the relevant accommodations.  Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me (or to your TA) as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: ability@usc.edu.

**Support Systems:**

*Student Counseling Services (SCS) - (213) 740-7711 – 24/7 on call*

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention. <https://engemannshc.usc.edu/counseling/>

*National Suicide Prevention Lifeline - 1-800-273-8255*

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. <http://www.suicidepreventionlifeline.org>

*Relationship & Sexual Violence Prevention Services (RSVP) - (213) 740-4900 - 24/7 on call*

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. <https://engemannshc.usc.edu/rsvp/>

*Sexual Assault Resource Center*

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: <http://sarc.usc.edu/>

*Office of Equity and Diversity (OED)/Title IX compliance – (213) 740-5086*

Works with faculty, staff, visitors, applicants, and students around issues of protected class. https://equity.usc.edu/

*Bias Assessment Response and Support*

Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. https://studentaffairs.usc.edu/bias-assessment-response-support/

*Student Support & Advocacy – (213) 821-4710*

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. https://studentaffairs.usc.edu/ssa/

*Diversity at USC – https://diversity.usc.edu/*

Tabs for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students

**Course Schedule**

Aug 23 Introduction to Tax Planning

Read: SWEMS Chapter 1

25 Corporate Reorganization – Tax Structures

Read: PK Chapter 7, pp. 1 - 38

30 Corporate Reorganization – Tax Attributes

Read: PK Chapter 7, pp. 39 - 47

Sep 1 Introduction to Mergers, Acquisitions, and Divestitures

Taxable Acquisitions of Freestanding C Corporations

Read: SWEMS Chapter 13

8 Taxable Acquisitions of Freestanding C Corporations

Read: SWEMS Chapter 14

13 **Quiz (In class)**

Taxable Acquisitions of Freestanding C Corporations

Read: SWEMS Chapter 14

15 Tax-free Acquisitions of Freestanding C Corporations

Read: SWEMS Chapter 16

17 Friday class, 11 – 12:20, TBD

20 Tax-free Acquisitions of Freestanding C Corporations

Read: SWEMS Chapter 16

22 Taxable Acquisitions of S Corporations

Read: SWEMS Chapter 15

**Case: WorldCom/MCI \***

**27** **Exam #1 (In class)**

29 Taxable Acquisitions of S Corporations

Read: SWEMS Chapter 15

Oct 1 Friday class, 11 – 12:20, TBD

4Tax Planning for Divestitures

Read: SWEMS Chapter 17

6 Tax Planning for Divestitures

Read: SWEMS Chapter 17

11 Tax Planning for Divestitures

Read: SWEMS Chapter 17

13 **Exam #2 (In class)**

***\* Case questions related to the assigned cases are due on the dates indicated.***

**Appendix I. MARSHALL GRADUATE PROGRAMS LEARNING GOALS**

**How ACCT 582 Contributes to Marshall Graduate Program Learning Goals**

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| **Marshall Graduate Program Learning Goals** | **ACCT 582 Objectives that support this goal** | **Assessment Method\*** |
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| ***Learning Goal #1: Develop Personal Strengths.***  **Our graduates will develop a global and entrepreneurial mindset, lead with integrity, purpose and ethical perspective, and draw value from diversity and inclusion.** |  |  |
| 1.1 Possess personal integrity and a commitment to an organization’s purpose and core values. |  |  |
| 1.2 Expand awareness with a global and entrepreneurial mindset, drawing value from diversity and inclusion. |  |  |
| 1.3 Exhibit awareness of ethical dimensions and professional standards in decision making. |  |  |
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| ***Learning Goal #2: Gain Knowledge and Skills.***  **Our graduates will develop a deep understanding of the key functions of business enterprises and will be able to identify and take advantage of opportunities in a complex, uncertain and dynamic business environment using critical and analytical thinking skills.** |  |  |
| 2.1 Gain knowledge of the key functions of business enterprises. | 5 | Homework; quizzes & exams |
| 2.2 Acquire advanced skills to understand and analyze significant business opportunities, which can be complex, uncertain and dynamic. | 5 | Course project |
| 2.3 Use critical and analytical thinking to identify viable options that can create short-term and long-term value for organizations and their stakeholders. | 5 | Homework; quizzes & exams |
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| ***Learning Goal #3: Motivate and Build High Performing Teams.***  **Our graduates will achieve results by fostering collaboration, communication and adaptability on individual, team, and organization levels.** |  |  |
| 3.1 Motivate and work with colleagues, partners, and other stakeholders to achieve organizational purposes. | 4 | Course project |
| 3.2 Help build and sustain high-performing teams by infusing teams with a variety of perspectives, talents, and skills and aligning individual success with team success and with overall organizational success. |  |  |
| 3.3 Foster collaboration, communication and adaptability in helping organizations excel in a changing business landscape. | 5 | Course project |

**Appendix II. USC LEVENTHAL STUDENT LEARNING OUTCOMES FOR**

**MASTER OF ACCOUNTING**

**AND MASTER OF BUSINESS TAXATION PROGRAMS**

**How ACCT 582 Contributes to Leventhal Graduate Program Learning Goals**

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| **MAcc/MBT Graduate Program Learning Goals** | **ACCT 582 Objectives that support this goal** | **Assessment Method\*** |
| ***Learning Goal #1: Technical, Conceptual, Problem-Solving***  **Students will be competent in and be able to apply discipline-specific knowledge and skills in the fields of accounting or taxation. This learning outcome includes the development of critical thinking and problem-solving skills, as well as an understanding of the strategic role of accounting and taxation in business organizations and society.**   * MBT specific—Apply critical thinking and problem-solving skills related to taxation of individuals, flow-through entities, and corporations. Recognize potential opportunities for tax savings and tax planning. | 5 | Homework; quizzes & exams |
| ***Learning Goal #2: Professional Development***  **Students will be able to communicate clearly and strategically, after considering the relevant audience, situation, and purpose of the communication. Students will demonstrate the ability to work productively with others to accomplish established goals.**   * MBT specific—Convert complex and technical tax terminology into language that translates to non-technical audiences. Demonstrate strong interpersonal communication skills that build relationships with clients over time. Document exchanges with careful attention to word choice, tone, and accuracy. | 5 | Course project |
| ***Learning Goal #3: Research/Life-Long Learning***  **Students will be able to use relevant research databases and academic/professional literature to gain new knowledge and analyze business situations.**   * MBT specific—Use computer-based and paper-based systems to thoroughly research tax codes, tax law, rulings and interpretations. Use knowledge to be able to adjust to changes in tax law over time. | 5 | Course project |
| ***Learning Goal #4: Ethical Principles and Professional Standards***  **Students will be able to apply ethical principles and professional standards in analyzing situations and making informed decisions.**   * MBT specific—Demonstrate understanding of and apply consistently the ethical principles and professional standards related to the profession. Show the ability to express and follow rules of independence and the highest sense of professional ethics. |  |  |
| ***Learning Goal #5: Ethical Principles and Professional Standards***  **Students will be able to demonstrate an international perspective and appreciation for diversity and cultural differences, along with their significance in global business.**   * MBT specific—Explain key differences in taxing policies related to expatriates and the countries they live and work in. Reflect on cultural and ethnic differences in approaches to business and taxation policies. |  |  |