

POSTGRADUATE SEMINAR SERIES

Topic Defence Seminar

Topic Title : **The Effect of Peer Firms' Fraud on Mergers and Acquisitions**

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Abstract : Investors make decisions based on a rich and comprehensive information set including corporate information and information from peer firms (Beatty et al., 2013; Li, 2016). Given the importance of peer information to investors, we study how acquirers make acquisition decisions by using peer information of potential target firms. Specifically, we consider the SEC enforcement of peer firms' fraud as an influential information for acquirers. The prediction of this research question is ambiguous. On the one hand, acquirers may be unwilling to acquire a target firm that has peer fraud enforcement because they perceive those firms as having high risk of fraud. On the other hand, acquirers may tend to acquire target firms which have peer fraud enforcement for two reasons. First, they may consider those target firms to be less likely to commit a fraud as they tend to be more disciplined than their peers either because they were not enforced by SEC or they will become more vigilant following their peer firms' fraud enforcement. Second, acquirers may have more bargaining power regarding those target firms and can realize more synergy after the acquisition. Our preliminary analysis shows that acquirers are more likely to select the targets with peer fraud. We will further conduct tests to unravel the channels.

Date : 30 May 2023, Tuesday
Time : 10:00 – 11:30 am
Venue : SEK206, 2/F, Simon & Eleanor Kwok Building
Language : English



*** All are Welcome ***