

МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
ХАРКІВСЬКИЙ НАЦІОНАЛЬНИЙ ЕКОНОМІЧНИЙ УНІВЕРСИТЕТ
ІМЕНІ СЕМЕНА КУЗНЕЦЯ

ЗАТВЕРДЖЕНО

на засіданні кафедри
міжнародної економіки і менеджменту
Протокол № 1 від 28.08.2023 р.

ПОГОДЖЕНО

Проректор з навчально-методичної роботи

Каріна НЕМАШКАЛО



ДЬЮ ДІЛДЖЕНС

робоча програма навчальної дисципліни (РПНД)

Галузь знань	05 «Соціальні та поведінкові науки»
Спеціальність	051 «Економіка»
Освітній рівень	другий (магістерський)
Освітня програма	«Міжнародна економіка»

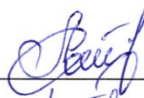
Статус дисципліни	вибіркова
Мова викладання, навчання та оцінювання	англійська


Розробники:
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к.е.н., доцент

Завідувач кафедри
міжнародної економіки і менеджменту

Гарант програми



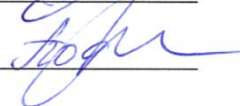


Марина КІПА

Світлана ДОБРИНЬ



Надія ПРОСКУРНІНА



Людмила ПІДДУБНА

Харків
2023

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
Simon Kuznets Kharkiv University of Economics

APPROVED

at the meeting of the department
of International Economics and
Management
Minutes № 1, dated 28.08.2023

AGREED

Vice-rector for educational and methodical
work

Karina NEMASHKALO



DUE DILIGENCE

the work program of the academic disciplines

Branch of knowledge **05 «Social and behavioral sciences»**
Specialty **051 «Economy»**
Educational Level **Second (Master's)**
Educational Program **International Economics**

Status of discipline **Elective**
The language of teaching, learning and rating **English**

Developers:
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Kharkiv
2023

INTRODUCTION

The educational discipline "Due Diligence" belongs to the cycle of professional and practical training, belongs to the group of selective disciplines of master's training in specialty 051 "Economics". The knowledge gained as a result of its study will help students solve a wide range of tasks - to analyze the company's activities, assess legal, financial and tax risks, as well as develop a plan of measures to reduce them, which will allow the company to achieve its goals.

The purpose of studying the educational discipline "Due Diligence" is the formation of theoretical knowledge and practical skills necessary for professional activity in the field of enterprise management: this is the formation of a complete picture of the real financial state of the company and all the risks that can have a negative impact on it.

The task of the educational discipline "Due Diligence" is to study the theoretical and practical aspects of the selection and application of specific means and tools for analyzing the company's activities, to assess legal, financial and tax risks, as well as to develop a plan of measures to reduce them, which will allow the company to achieve its goals.

The object of the educational discipline is modern methods and tools of analytical assessment of the company's activity, as well as legal, financial and tax risks

The subject of this educational discipline is the theoretical basis and methodical approaches to the evaluation of the company's activities, as well as legal, financial and tax risks, which will allow to develop a set of measures to reduce them in order to achieve the company's goals.

The results of training and competence formed by the educational discipline are defined in the table. 1.

Table 1

Learning outcomes and competences formed by the educational discipline

Learning outcomes	Competencies that should acquire a higher education
LO 1	SC 1, SC 3
LO 2	GC 2
LO 7	SC 1, SC 3, SC 7
LO 8	GC 2, SC 1, SC 3
LO 12	SC 3, SC 7
LO 13	SC 8,
LO 16	SC 10

where, LO 1. Formulate, analyze and synthesize solutions to scientific and practical problems.

LO 2. To develop, substantiate and make effective decisions on the development of socio-economic systems and management of subjects of economic activity.

LO 7. Choose effective methods of managing economic activity, substantiate the proposed solutions on the basis of relevant data and scientific and applied research.

LO 8. Collect, process and analyze statistical data, scientific and analytical materials necessary for solving complex economic tasks.

LO 12. To substantiate management decisions regarding the effective development of economic entities, taking into account goals, resources, limitations and risks.

LO 13. Assess possible risks, socio-economic consequences of management decisions.

LO 16. To substantiate the choice of the most effective management solutions and business strategies for the development of international economic activity.

GC 2. Ability to abstract thinking, analysis and synthesis.

SC 1. The ability to apply scientific, analytical, methodical tools to justify the strategy of development of economic entities and related management decisions.

SC 3. The ability to collect, analyze and process statistical data, scientific and analytical materials, which are necessary for solving complex economic problems, to draw reasonable conclusions based on them.

SC 6. The ability to formulate professional tasks in the field of economics and solve them, choosing the appropriate directions and appropriate methods for their solution, taking into account the available resources.

SC 7. The ability to substantiate management decisions regarding the effective development of economic entities.

SC 8. Ability to assess possible risks, socio-economic consequences of management decisions.

SC 10. Ability to develop scenarios and strategies for the development of socio-economic systems.

EDUCATIONAL DISCIPLINE PROGRAM

Content of the academic discipline

Content module 1. Specifics of Due Diligence application

Topic 1. The essence and main goals of conducting Due Diligence.

The essence and features of due diligence. Types of due diligence. Definitions of the term "Due Diligence". Stages of development of the due diligence procedure. Types and main functions of due diligence. Algorithm for carrying out the due diligence procedure.

Topic 2. Due Diligence technology and audit: similarities and differences

The main differences between audit and due diligence. Similar features of due diligence and audit Peculiarities of legal regulation of audit and due diligence. Requirements for the executors of the audit and due diligence. Peculiarities of design of audit results and due diligence

Topic 3. Due Diligence as an integral element of merger and acquisition procedures

Mergers and acquisitions ("mergers and acquisitions" - M&A) in the formation of the global system of the world economy. Types and classification of mergers and acquisitions of companies. Principles of effectiveness of the merger and acquisition procedure. Evaluation of the effectiveness of mergers and acquisitions of enterprises

Topic 4. Due Diligence features of a troubled enterprise.

Determining weaknesses in the enterprise using the Due Diligence process. Algorithm for conducting enterprise analysis: assessment of market assets of business activity, assessment of business value. The company's benefits from performance evaluation. Assessment methods. Peculiarities of the cost approach in business valuation. Features of the income approach in business valuation. Peculiarities of the comparative approach and methods of its implementation. Investment assessment of the enterprise. Estimating the value of a small business.

Content module 2. Types of Due Diligence procedure and their main components

Topic 5. Features of operational due diligence.

Objectives of operational due diligence: analysis of the existing management system of the company, assessment of the quality of its management, risks of business management in general and the efficiency of the enterprise.

Basic procedures of operational due diligence: analysis of the history and prospects of the company's development; analysis of the organizational and legal form of the company; assessment of the effectiveness of the organizational structure and the level of corporate management; assessment of the company's management and personnel, assessment of the external environment of business functioning; quality control systems at all levels of the structure; procurement and sales systems; functional and organizational structure and personnel policy of the company; analysis and assessment of personnel potential; efficiency of production and engineering processes, investment program.

Topic 6. Features of legal due diligence.

Cases of the need for comprehensive legal due diligence: acquisition of assets, sale or purchase of a business in the framework of a merger, acquisition or partnership, verification by top management or the parent company of the current state of the company. Objects of legal due diligence: the structure of the organization and the powers of subsidiaries, distribution of dividends and property of the organization, the procedure for issuing shares, objects of intellectual property of the company, registration of real estate rights, compliance with labor legislation, registration of relations with suppliers and sales issues, availability of permits, relating to mining rights, construction and other permitting procedures.

Topic 7. Features of financial due diligence.

General assessment of the quality of record keeping. Analysis of the revenue part, in particular the method of recognition, structure and dynamics. Analysis of the expenditure part, in particular the structure, dynamics, identification of atypical expenditure items. Non-current assets: analysis of the structure, degree of wear and tear, identification of objects not related to the main activity, comments on restrictions on use (mortgage, arrests, etc.), identification of depreciated assets. Current assets: analysis of structure and dynamics, identification of illiquid current assets, overdue receivables, fictitious and/or irreversible financial investments. Debts and liabilities: detection of off-balance sheet liabilities, analysis of the structure and dynamics of debts, detection of overdue payables and special conditions for repayment of existing debts. Analysis of contingent liabilities (guarantees issued to secure the debts of third parties, potential fines, etc.), analysis of events after the reporting date. Additional blocks agreed with the customer.

Topic 8. Features of tax due diligence.

Checking the timeliness of tax reporting and payment of tax obligations. Checking the correctness of filling out the tax reporting. Checking the applicable tax rates, tax benefits and exemptions. Analysis of the results of complex and other audits by the tax service. Analysis of existing disputes with the tax service. Assessing the monetary value of identified tax risks and making recommendations for their elimination. Confirmation of the amount of tax losses and VAT credit.

Topic 9. Features of marketing due diligence.

Basic approaches to evaluating the effectiveness of marketing activities. Algorithm for evaluating the effectiveness of marketing activities. Partial indicators of the effectiveness of marketing activities. Levels of effectiveness of marketing activities of the enterprise.

The list of practical (seminar) and/or laboratory classes/tasks by academic discipline is given in the table. 2

Table 2

List of practical (seminar) tasks

Name of the topic and / or task	Content
Topic 1. The essence and main goals of conducting Due Diligence.	Studying and supplementing the material of the lecture on the topic: "Characteristics and main tasks of the Due Diligence procedure", M&A as a specific direction of financial activity of enterprises
Topic 2. Due Diligence technology and audit: similarities and differences.	Mandatory audit and due diligence requirement in Ukraine. The main types of reporting, its components.

Name of the topic and / or task	Content
Topic 3. Due Diligence as an integral element of merger and acquisition procedures and direct investment agreements.	Features of the merger and acquisition (M&A) market. M&A processes, transaction milestones and success factors. Merger consequences analysis
Topic 5. Features of operational due diligence.	Analysis of the existing management system of the company, assessment of the quality of its management, risks of business management in general and the efficiency of the enterprise.
Topic 6. Features of legal due diligence.	Cases of the need for comprehensive legal due diligence: acquisition of assets, sale or purchase of a business in the framework of a merger, acquisition or partnership, verification by top management or the parent company of the current state of the company.
Topic 7. Features of financial due diligence.	Indicators of profitability, liquidity and financial stability. Determination of the relationship between strategic analysis and financial indicators of the company.
Topic 8. Features of tax due diligence.	Assessing the monetary value of identified tax risks and making recommendations for their elimination. Confirmation of the amount of tax losses and VAT credit.
Topic 9. Features of marketing due diligence.	Analysis of partial indicators of the effectiveness of marketing activities. Determining the level of effectiveness of the enterprise's marketing activities.

The list of independent work by academic discipline is given in the table. 3

Table 3

List of independent work

Name of the topic and / or task	Content
Topic 1. The essence and main goals of conducting Due Diligence.	Stakeholders in conducting due diligence.
Topic 2. Due Diligence technology and audit: similarities and differences.	Comparative characteristics of audit and due diligence methods. Ways of adapting the due diligence procedure to Ukrainian one's conditions
Topic 5. Features of operational due diligence.	Conduct an analysis of the history and development prospects of the selected enterprise.
Topic 6. Features of legal due diligence.	The structure of the organization and the powers of subsidiaries, distribution of dividends and property of the organization, the procedure for issuing shares.
Topic 7. Features of financial due diligence.	Methods of internal assessment of business value based on discounted cash flow analysis and leveraged buyout analysis
Topic 8. Features of tax due diligence.	Timely submission of tax returns and payment of tax obligations. Checking the correctness of filling out the

	tax reporting
Topic 9. Features of marketing due diligence.	Analyze the effectiveness of marketing activities of the company under study.

The number of hours of lectures, practical (seminar) and/or laboratory classes and hours of independent work are given in the work plan (technological map) for the academic discipline.

TEACHING METHODS

In the process of teaching an educational discipline, in order to acquire certain learning outcomes, to activate the educational process, it is envisaged to use such learning methods as:

Verbal lectures with a visual demonstration:

Topic 1. The essence and main goals of conducting Due Diligence.

Topic 2. Due Diligence technology and audit: similarities and differences

Topic 5. Features of operational due diligence.

Topic 6. Features of legal due diligence.

Topic 7. Features of financial due diligence.

Topic 8. Features of tax due diligence.

Problem lecture:

Topic 3. Due Diligence as an integral element of merger and acquisition procedures

Topic 4. Due Diligence features of a troubled enterprise.

Topic 9. Features of marketing due diligence.

Simulation game:

"Investment in own business"

"How to create a source of passive income"

ASSESSMENT FORMS AND METHODS

The university uses a 100-point accumulative system for evaluating the learning outcomes of students of higher education.

Current control is carried out during lecture, practical, and seminar classes and is aimed at checking the level of preparedness of the student of higher education to perform a specific job and is evaluated by the sum of points scored:

for the discipline "International Business Analysis" with the form of semester examination control (exam):

the maximum amount is 60 points;

the minimum amount that allows a student of higher education to pass an exam is 35 points.

The final control includes the semester control and certification of the student of higher education.

Semester control is conducted in the form of a semester exam (exam). The semester exam (exam) is taken during the exam session. The maximum number of points that a student of higher education can receive during the examination (examination) is 40 points. The minimum amount for which the exam is considered passed is 25 points.

The final grade by academic discipline is determined by:

for the discipline "International Business Analysis" with the form of semester control exam (exam) - summation of points for current and final control.

During the teaching of the academic discipline, the following control measures are used:

Current control:

Individual educational and research tasks (2 papers of 4 points), written test (2 papers of 8 points), colloquium (2 papers of 18 points).

Semester control: Exam (40 points).

More detailed information about the evaluation system is given in the work plan (technological map) for the academic discipline.

An example of an examination ticket and evaluation criteria for an academic discipline with a form of semester examination control (exam).

Task 1 (10 points)

The company is considering four alternative investment options for which the following cash flows are expected (table).

Assuming that the price of advanced capital is 17%, it is necessary to choose the best project based on the criterion:

- a) Net reduced NPV effect;
- b) PI return on investment index;
- c) Payback term RR.

Table

Output data for calculation

Project	Basic investments	Cash flows by years		
		1 year	2 year	3 year
1	15000	5000	7000	10000
2	13000	6000	5000	11000

Task 2 (10 points)

Determine the value of the land plot and the value of improvements based on the following data:

- net operating income - UAH 120,000;
- the capitalization ratio for improvements is 18%;
- the capitalization ratio for land is 16%;
- the share of land in the value of the object is 0.2.

Task 3 (10 points)

The investor purchased asset A for UAH 200,000, asset B for UAH 150,000. at the expense of own funds. Also, the investor takes UAH 800,000. at 12% and invests in asset A.

The expected return on asset A is 20%, asset B is 18%.

Determine the expected profitability of the formed portfolio.

Task 4 (10 points)

Give a comparative characterization of due diligence and auditing: identify commonalities and differences.

EXAM ASSESSMENT CRITERIA

Point	Evaluation criteria
2	The student faces significant difficulties in the analysis of economic phenomena and processes, shows the ability to express thoughts at an elementary level. Significant mathematical errors were made in the task, there are no conclusions and a correct answer.
4	The student faces significant difficulties in the analysis of economic phenomena and processes, shows the ability to express thoughts at an elementary level. Significant mathematical errors were made in the task, there are no conclusions and a correct answer.
6	When completing the tasks, the student applies the generalized knowledge of the educational material provided by the curriculum. The presence of minor arithmetic errors is assumed, but the methodical approach to solving the problem is correct (that is, inaccuracies in the calculations of certain indicators are assumed), a typical algorithm is used with a partial explanation, and generalized conclusions are drawn.
8	Correctly performed all actions according to the typical algorithm, but did not offer alternative algorithms for solving the task, provided an explanation for the performed calculations not in full and made generalized conclusions
10	Tasks are performed both using a standard algorithm and an independently developed algorithm. When completing the tasks, the student applies systematic knowledge of the educational material, makes reasoned and substantiated conclusions about the obtained results. When solving the question, the logic, structure, and style of presentation of the material were observed, the author's position regarding the considered problem was substantiated, and the main directions of its solution were given.

RECOMMENDED LITERATURE

Basic

1. Vykorystannia Due Diligence v obgruntuvanni peredinvestytsiinykh rishen u sektorakh natsionalnoi ekonomiky: kolektyvna monohrafiia / Baldzhy M.D., Dobrova N.V., Karpov V.A. [ta in.]; Odesa National University of Economics. – Odesa, 2018. – 335 P.

2. Berest M. M. Finansovyi analiz : navchalnyi posibnyk : [Elektronne vydannia] / M. M. Berest. – Kharkiv : Simon Kuznets KhNUE, 2017. – 164 P. –

[Electronic resource]. - Access mode:
http://www.repository.hneu.edu.ua/bitstream/123456789/18549/1/2017-%D0%91%D0%B5%D1%80%D0%B5%D1%81%D1%82_%D0%9C_%D0%9C.PDF

3. Nazarenko I. M. Finansovy diu dilidzhens : sutnist ta funktsionalna misiia v systemi upravlinnia pidpriemstvom [Elektronnyi resurs]. Materialy Mizhnarodnoi naukovo-praktychnoi konferentsii «Upravlinnia rozvytkom sotsialno-ekonomichnykh system» (prysviachena 70-richchiu kafedry orhanizatsii vyrobnytstva, biznesu ta menedzhmentu). - Kharkiv, 2018. - P. 182-184

Additional

4. Bauer, Jan & Hennig, Jan. (2023). Comprehensiveness vs. Speed – The Role of Industry Conditions for the Optimal Due Diligence Length. Academy of Management Proceedings. 2023. 10.5465/AMPROC.2023.13543

5. Langosch, Magdalena & Tumlinson, Justin. (2021). Does Experience Improve Acquisition Performance? It's Complicated, and That Is When It Helps Most. Academy of Management Discoveries. 8. 10.5465/amd.2019.0227.

Інформаційні ресурси

6. The page of the academic discipline "DUE DILIGENCE" at the PLS Khneu named after S. Kuzneta [Electronic resource]. - Access mode:
<https://pns.hneu.edu.ua/course/view.php?id=9604>

7. Website of the State Committee of Statistics of Ukraine: www.ukrstat.gov.ua

8. Site of regulatory documents of Ukraine: [http:// search.ligazakon.ua](http://search.ligazakon.ua)

9. Official website of the Ministry of Finance of Ukraine.
URL:<http://www.minfin.gov.ua/>.

10. Official website of the Ministry of Economy of Ukraine. URL:
<http://www.me.gov.ua>