

FACTORS AFFECTING THE MAGNITUDE OF PREMIUMS PAID TO TARGET-FIRM SHAREHOLDERS IN CORPORATE ACQUISITIONS

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ABSTRACT

The wide range of reported abnormal returns to target-firm shareholders has recently encouraged several researchers to investigate the determinants of the magnitude of these returns. This paper extends the work of these authors by presenting and testing a model of the premium paid to target-firm shareholders in completed corporate acquisitions. The model examines the premium as opposed to the more traditional abnormal return to focus on those factors that might be considered by a bidding-firm's management in the formulation of its offering price. The study also contributes to the corporate control literature by examining a larger data set than previous studies (748 acquisitions that occurred between 1964 and 1983), by examining variables that have not been examined in previous studies, and by examining interactions between variables.

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