DEFICIENT DUE DILIGENCE?

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment (50%) of the requirements for the degree of Master of Commerce in the Field of Accountancy.

A research report submitted by

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ABSTRACT:

The effectiveness of traditional due diligence practices and whether they contribute to Merger and Acquisition (M&A) success or failure is an ongoing debate in finance research. This research report contributes to the debate by examining the effectiveness of traditional due diligence using a qualitative research approach. A dataset of traditional due diligence practices was compiled from the literature, which formed the basis for an interview which was conducted with corporate finance practices. The findings indicate that the traditional due diligence process is considered to be an evolving process, where due diligence practices of the last decade are considered to be significantly different from the due diligence required in acquisitions today. Due diligence is also considered to be indispensable, and its scope and importance underestimated. Furthermore, any perceived deficiency in a due diligence is not necessarily in concept, but rather in execution, with excessive focus on the accounting and legal aspects of a M&A, while neglecting the macro-environment, marketing, production, management and information systems. It is also concluded that most stakeholders have understood that failure to carry out proper due diligence could be financially damaging to the parties transacting. In an attempt to determine what due diligence means for the current as well as the future, this study uncovers a critical trend in the forms and manner of flawed due diligence practices and paves the way to a more strategic due diligence, which are useful for practitioners in the present and in the future for M&A success.

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My words cannot convey my gratitude and appreciation to you all…

With much love and affection,

Adnan.

DECLARATION

I, **Adnan Inayat Patel,** declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Commerce in the Field of Accountancy. It has not been submitted before for any degree or examination in this or any other university.

(**Adnan Inayat Patel**)

Signed at the University of the Witwatersrand

On the 28th day of February 2012.

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(*FORTUNE*, 3 SEPTEMBER 2001).