

ABSTRACT

Inspired by the number of mergers and acquisitions (M&A), this paper aims to answer why M&A fail. One of the vital answers is this paper takes approach is the winner's curse hypothesis by applying event study to test whether winner's curse valid. In addition, laws and regulations variable also add in the model for testing the impact of change in laws and regulations. If premium has a negative relationship with bidder's return, bidders overpay for the targets. The result shows that there is a quadratic relationship between bidder's return and premiums and the relative maximum is 40.08 times. Thus, if premiums ratio is greater, bidders might overpays for targets. However, changing laws and regulations has no influence on winner's curse hypothesis.