

UNIVERSITY OF WALES: TRINITY SAINT DAVID
PRIFYSGOL CYMRU: Y DRINDOD DEWI SANT

School of Business
Ysgol Busnes

Corporate Finance

SBMA7116

Semesters 1 and 2

Summer 2013

SBMA7116 Corporate Finance

Module Introduction/Information

In the modern corporate world it is becoming ever more essential for many managers to have a good grasp of the financial implications of projects they are responsible for or have a major involvement in. This could range from the financial attractiveness or benefits resulting from the project to raising the funds required for implementation or to assessing / quantifying the riskiness of it utilising such concepts as the cost of capital.

This module will make clear to students most of the financial concepts and ideas that underpin modern corporate finance and more importantly their relevance and appropriateness to any organisational manager whose job requires financial literacy. Managers need to include the financial implications in any assessment of a task or project they are working on and students will learn the range of ideas, theories and financial tools that will enable them to do this effectively on starting their business career.

Assessment will be through one 4000 word assignment.

Weekly Lecture Schedule

- 1.Introduction to Corporate Finance : why it is important; concepts, ideas and examples
- 2.The objectives of the firm and corporate governance
- 3.The idea of Net Present Value. Application of and using NPV in calculating value and investment decisions
- 4.Capital Investment : Risk, return and the opportunity cost of capital
- 5.Options for making capital investment decisions
- 6.Assessing the different techniques: is NPV always best?
- 7.Corporate financing decisions and capital market efficiency
- 8.How companies finance themselves
- 9.The cost of capital: its calculation and significance
- 10.The capital structure of the firm
- 11.Borrowing v. Equity: The Modigliani – Miller model
- 12.Debt Financing and its limits
- 13.Payout policy and capital structure
- 14.Understanding and valuing options
- 15.Financial planning and the management of working capital

16. How much should a firm pay in dividends – dividend policy

17. Mergers and Acquisitions – general principles and rationale

18. Acquisitions: how they work and when they work

19. Corporate restructuring and corporate control

20. Review: The role of corporate finance in modern business

Recommended Reading and Resources

Essential reading:

Grinblatt, M, and S Titman, S. (2002) Financial Markets and Corporate Strategy, 2nd Edition, McGraw-Hill

Brealey, R A, and Myers, S. C. (2010) Principles of Corporate Finance, 10th Edition, McGraw Hill

Recommended

Arnold, G., Corporate Financial Management. London: Prentice Hall, 2005.

Atrill, P., Finance for Decision Makers. 5th Edition, London: Prentice Hall, 2005.

Ross, S. Westerfield, R. and Jaffe, J. (2007) Modern Financial Management, 8th Edition, McGraw-Hill

Background

Hawawini, G. & Viallet, C., Finance for Executives 2nd Edition, Ohio: Thomson Southwestern, 2000.

Michelle R. Clayman, M., Fridson, S. and Troughton G. H. (2008) Corporate Finance: A Practical Approach, John Wiley & Sons, Inc,

Myddleton, D., (2000) Managing Business Finance, London: Prentice Hall

Journals

American Economic Review

International Journal of Forecasting

Journal of Accounting and Economics

Journal of Accounting Research

Journal of Applied Corporate Finance

Journal of Business

Journal of Business Finance and Accounting

Journal of Corporate Finance

Journal of Finance

Journal of Financial and Quantitative Analysis

Journal of Financial Economics

Websites

www.ftmanagement.com

www.ft.com

www.hescott.com

www.accaglobal.com

www.cimaglobal.com

www.fma.org

SBMA7116 Corporate Finance

ASSESSMENT

One assignment worth 100%.

Corporate Finance Assignment

Since the seminal paper by Modigliani and Miller (1961), Corporate Payout Policy has been one of the important topics of modern corporate finance. You are required to critically evaluate the various propositions which contradict Modigliani and Miller's Dividend Irrelevancy proposition. In your discussion, critically review the recent empirical surveys on payout policy and explain which of the propositions are mostly supported by listed companies around the world. You should critically analyse the impact of Payout Policy on the way companies are financed and their capital structure. Also, analyse the links between corporate dividend policy and corporate governance drawing on recently published journal articles. (approximately 4000 words)

ASSESSMENT CRITERIA

Module Aim

To provide students with an in-depth study of corporate finance techniques and processes which enable management to evaluate and make strategic decisions in the context of competitive international environment.

Learning Outcomes

Upon the successful completion of this module students should be able to :

- Understand the key themes that underpin modern corporate finance and their relevance to business capital structure and corporate governance.
- Develop a critical understanding of the financing decisions of organisations in modern economies

Assignment Assessment Criteria

Assessment Criteria	Learning Outcome	% of Marks
Discussion of various Dividend Propositions	1	10%
Critical review of the empirical literature on dividend propositions	1	15%
Discussion of the practice of corporate payout policy drawing on the results of recent empirical surveys published in academic journals	1,2	20%
Critical assessment of how Dividend Policy might affect the Financing Decisions and Capital Structure of companies	1,2	30%
Analysis of the links between Dividend Policy and Corporate Governance	1	25%