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| **Title** | **Topics in Corporate Finance** |
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| **Lecturer** | **Patrick McColgan** | Tutor | TBC |
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|  | Code | AG917 | Semester | 2 | Weeks | 1 – 6 | Credits | 10 |  |
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|  | **Assessment** |  | Examination | 70% |  | Coursework |  |  | Test | 30% |  |
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## CLASS AIMS

The aim of this class is to discuss the different ways in which companies can raise funds, internally and externally, the role of capital markets in determining the terms on which funding will be available, the costs and risks of different sources of financing, and the role of taxation. The class will cover the capital structure decisions of companies, the weighted average cost of capital, and the dividend policy of companies and share repurchases. This class builds on the introductory investment appraisal, risk, return and cost of capital material covered in the first semester class Principles of Finance.

## LEARNING OUTCOMES

The class provides opportunities for students to develop and demonstrate knowledge, understanding and skills in the following areas:

**i) Knowledge Based Outcomes:**

On completion of the class students should be able to:

* describe and analyse the different financing possibilities open to firms;
* consider the implications of conflicts of interest between managers, shareholders, and debtholders for the financing decisions of firms;
* explain and evaluate rights issues and other secondary issues of shares;
* determine the impact of the use of debt capital and gearing on the expected return, risk, and value of a firm's equity capital;
* analyse the capital structure decisions of firms;
* evaluate the implications of tax for the financing decisions of firms;
* determine a firm's cost of capital;
* assess the impact of dividend policy on the value of shares;
* explain the dividend irrelevance proposition;
* explain and evaluate share repurchase programmes.

**ii) Skills Outcomes:**

 On completion of this class students should be able to demonstrate:

* an appreciation of the relationship between theory and practice;
* the ability to model relationships;
* the ability to evaluate empirical evidence in the assessment of theories;
* the ability to analyse a variety of different management issues and policy; and
* the ability to suggest possible solutions to financial problems that companies might encounter.

**TEACHING AND LEARNING**

There will be 15 hours allocated to lectures and 5 hours of workshops organised on a weekly basis.

**ASSESSMENT**

A class test will account for 30 per cent and the final examination for 70 percent of the assessment. The class test will involve a number of quantitative and short conceptual questions. The test will provide an indication of student’s understanding the analysis and ability to apply the analysis. The final examination will be made up of a series of compulsory short quantitative and conceptual questions and an essay section to assess understanding of the theoretical basis of the analysis. The final examination will take place in the April/May diet of examinations and last two hours. Any reassessment will be via a re-sit exam of the same format as the main exam. Class participants will be expected to complete workshops and will be provided with feedback on their understanding of the analysis but will not be part of the formal assessment.

**READING**

Jonathan Berk and Peter de Marzo. “Corporate Finance”. 5th Edition, Pearson, 2020

**Further Reading:**

Corporate Finance, European Edition, 4th edition, Hillier, Ross, Westerfield, Jaffe and Jordan, McGraw Hill, 2020.

R Brealey, S Myers and F Allan. “Principles of Corporate Finance”. 12th Ed., McGraw Hill, 2017.

## LECTURE PROGRAMME

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| **Session** | **Lecture Title/Subject/Content** |
| **1** | Nature of Long Term Financing: the institutional setting for raising capital; the nature of equity, debt and other instruments. |
| **2** | Equity Financing: initial public offerings; alternative issue methods; setting the issue price; rights issues; underwriting and the announcement effect new issues; alternative methods of raising equity finance through seasoned offerings. |
| **3** | Capital Structure: the use of gearing to increase the expected return; gearing and value; gearing and the cost of capital; the contribution of Miller and Modigliani; the role of bankruptcy costs; the pecking order theory and the debt policy of agency theory. |
| **4** | Financing and Valuation: the weighted average cost of capital; adjusting WACC; and the capital asset pricing model and gearing; managerial list and timing models of capital structure. The Adjusted Net Present Value Approach to Financing and Valuation: adjusted present value (APV) versus after-tax WACC versus flow-to-equity valuation methods;. |
| **5** | Dividend Policy: the nature of dividends; determinants of dividend policy; dividends and share price valuation; and the irrelevancy of dividend policy. The influence of market imperfections on corporate payout policy; the influence of taxes; information asymmetry and signaling; managerial preference, agency costs and payout policy; and the re-purchase of shares. |