Introduction

This course will expose students to the latest research on selected topics in corporate finance. The topics covered will primarily be selected on the basis of the lecturer’s area of expertise. The course assumes a sound knowledge of the theories relating to the foundations of finance.

Key Learning Outcomes

On completion of the course, you will:

- Have an understanding of the methodological issues surrounding the measurement of a firm’s performance and models of expected performance;
- Be able to evaluate the impact of takeovers on both shareholder value and operating performance;
- Be able to develop statistical models using financial statement data to predict events, such as takeovers;
- Have an understanding of the restructuring choices faced by managers and how these choices can help resolve agency problems within the firm;
- Be able to critically evaluate alternative performance measurement techniques currently advocated by major consulting firms;
- Be able to develop cash flow holding models and understand the implications for firms who hold too much or too little cash flow;
- Follow the issues relating to analysts’ forecasts in the context of SEOs;
- Have a deeper understanding of valuation models, dividend policy, cost of capital estimation and capital structure decisions;
- Have a good understanding of issues relating to corporate governance and agency theory.
Web Page

Subject webCT page: [http://webct.edtec.unsw.edu.au/webct/public/home.pl](http://webct.edtec.unsw.edu.au/webct/public/home.pl) has lecture overheads, tutorial discussion questions and course announcements.

Lectures

Wednesday 18.00 – 21.00 QUAD GO31

Lecturers

Dr Ronan Powell (weeks 1-7) Dr Kingsley Fong (weeks 8-14)
Office: Quad 3022 Quad 3023A
Email: r.powell@unsw.edu.au k.fong@unsw.edu.au
Tel: 938-54925 938-54932

Course Format

A combination of formal lectures, discussion classes and student presentations will be used.

COURSE STRUCTURE FOR WEEKS 1 TO 7

Assessment

The first part of the course will be assessed through a group project and a class test in week 7.

- The class test will be a 1-1/2-hour exam attracting a weight of 15%. The test will comprise of 3 longer-style essay questions of which you must attempt 2. Material covered in weeks 1 to 5 will be examinable. The test is scheduled for Wednesday 21st April.
- Project: You will be divided into groups and asked to select a research topic from this outline. You will be provided with a dataset related to your chosen research topic for the purposes of financial modelling. Each group will be assigned a related academic paper to their chosen research topic and asked to replicate, as close as possible, the methodology employed. As part of the review process, each group will be asked to present the results of their empirical analysis to the class. Your write-up should follow closely the structure of your related academic paper and should be submitted the week following your group presentation. As a group, you will be awarded a mark based on both the content and presentation of your paper. The project has a weight of 35% (25% for the write-up and 10% for the presentation).
- The weighted average mark across all assessments will be used to determine pass or failure.
Lecture Program

Week 1

Financial modelling issues relating to long-run performance


Week 2

Takeovers and performance


Week 3

Takeovers and investment strategies

Week 4

Takeovers: Agency and other perspectives


Week 5

IPOs and the underperformance debate


Week 6

Corporate cash holdings


Week 7 – Final group presentation and class test

COURSE STRUCTURE FOR WEEKS 8 TO 14

Assessment Structure

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Presentation</td>
<td>10%</td>
</tr>
<tr>
<td>Discussion</td>
<td>10%</td>
</tr>
<tr>
<td>Participation</td>
<td>10%</td>
</tr>
<tr>
<td>Final Takehome Exam</td>
<td>20%</td>
</tr>
</tbody>
</table>
Presentation and discussion will be performed in groups of 2 students. Papers to be presented by student groups are marked with “*” in the topic list below. Students should send an email to Dr. Kingsley Fong at k.fong@unsw.edu.au listing group members name, student number, and nominated first, second and third preferences for BOTH presentation and discussion. Reservation for presentation will be done on a First-in-first-served basis. These papers vary in the level of technical difficulty. Before you nominate, please check the paper to see if you are technically competent to present or discuss.

**Lecture Program**

**Week 8  28/4/04  Seasoned Equity Offering and Analyst Forecasts**
Philip Brown. Seasoned equity offering.

**Week 9  5/5/04  Dividends, Earnings, and Valuation**

**Week 10  12/5/04  Cost of Capital and Equity Premium**

**Week 11  19/5/04  Capital Structure**

**Week 12  26/5/04  Dividend Policy and Repurchases**
Week 13  2/6/04  Agency Cost and Monitoring

Week 14  9/6/04  Review and Discussion

Failure to Sit an Examination

Students should notify employers of the requirement to attend examinations. If you miss any of the class tests (for any reason – employment, sickness, timetable clashes etc.), then in exceptional circumstances (for example, hospitalisations), you may be permitted to sit the missed section at a future date when the School offers supplementary examinations. If you have been granted a supplementary exam, this information will be posted on the class web site on the last day of the examination period. You will not be advised by any other means. Failure to undertake an exam at its scheduled time does not automatically lead to reassessment (see Supplementary Exam information at the end of this handout). **It is emphasized that in the event that a supplementary exam is granted, the highest grade awarded will be a PASS for that component of the assessment.**

INFORMATION CONCERNING STUDENT CONDUCT AND RESPONSIBILITIES

Students should be aware of general University, Faculty and School rules that are discussed in detail in the UNSW Calendar. However, I draw your attention to the following issues that are particularly relevant to this course.

**Student Identification Required for All Examinations**

Student ID should be visible at all times during the examination. Students without photographic ID may not be allowed to sit the examination.

It is the student’s responsibility to ensure that they are aware of the University rules concerning their degree and meet the assessment criteria in this subject. Failure to misread this document, the Faculty handbook/University Calendar or examination timetable, or to receive announcements in class or sit examinations does not mean that further assessment is automatically granted.
Special Consideration

Attention is drawn to the following extract from the UNSW Calendar ‘Procedures’:

‘Students who believe that their performance in a subject, either during session or in an examination, has been adversely affected by sickness or any other reason should inform the Registrar and apply for special consideration in the determination of their standing. The application must be made on the ‘Application for Special Consideration’ form available from the Student Centre. This application explains the specific information the University requires in order to make a decision. Such requests should be lodged as soon as practicable after the occurrence and in any event not more than three days after the final examination in a subject’.

A photocopy of all material supporting an application for special consideration, as lodged with the Registrar, must also be provided to the Lecturer-in-charge within seven (7) days of any event for which special consideration is sought (preferably before the examination).

Students should be aware that ‘minor’ ailments are not eligible grounds for special consideration. Any unsubstantiated request for special consideration will be considered to be ‘minor’.

Supplementary Examinations

**NOTE**: Supplementary examinations are **EXCEPTIONALLY RARE** and are **NOT** given automatically. An **ORAL** component may also be required in addition to sitting a formal examination paper. If your performance (or attendance) throughout the session has not been satisfactory, or the reason why you did not attend the examination is not acceptable, you will be denied a supplementary examination. In sitting a supplementary exam, the highest grade awarded will be a **PASS** for that component of the assessment.

If a student is granted a supplementary examination but does not attend that supplementary examination, he/she will not be granted further assessment except in **HIGHLY EXCEPTIONAL** circumstances. Students are advised that if they are intending to travel overseas at the end of session/year they should consider taking out travel insurance which allows supplementary examinations as valid circumstances for cancelling travel.

Academic Misconduct

Attention is drawn to the following extract from the UNSW Calendar ‘Procedures’:

*Academic Misconduct*
‘Students are reminded that the University regards academic misconduct as a very serious matter. Students found guilty of academic misconduct are usually excluded from the University for two (2) years. Because of the circumstances in individual cases, the period of exclusion can range from one session to permanent exclusion from the University.

The following are some of the actions, which have resulted in student being found guilty of academic misconduct in recent years:

1. Taking unauthorised materials into an examination;
2. Submitting work for assessment knowing it to be the work of another person;
3. Improperly obtaining prior knowledge of an examination paper and using that knowledge in the examination;
4. Failing to acknowledge the source of material in an assignment.

Acknowledgment of Sources

Students are expected to acknowledge the source of ideas and expressions used in submitted work. To provide adequate documentation is not only an indication of academic honesty but also a courtesy enabling the marker to consult sources with ease. Failure to do so may constitute plagiarism, which is subject to a charge of academic misconduct’.

University Assessment Policy document (Page 23)

‘Plagiarism entails taking and using as one's own, the thoughts or writings of another without acknowledgement including:

(a) where paragraphs, sentences, a single sentence or significant part of a sentence which are copied directly, are not enclosed in quotation marks and appropriately footnoted;
(b) where direct quotations are not used, but ideas or arguments are paraphrased or summarised, and the source of the material is not acknowledged either by footnoting or other reference within the text of the paper; and
(c) where an idea, which appears elsewhere in print, film or electronic medium, is used or developed without reference being made to the author or the source of the idea’.

Students should consult the Faculty web site for further information: www/fce.unsw.edu.au/current_students/responsibilities.shtml#misconduct

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