

AG430 Corporate Financing

2023/2024 SEMESTER ONE

Names of lecturer : **Dr Charalampos Stasinakis**
Room number : **TBC**
Telephone extension : **TBC**
E-mail address(s) : charalampos.stasinakis@strath.ac.uk

CLASS DESCRIPTION

This course explores the various theories of payout policy, capital structure and security issuance. Traditional theories of corporate financing – such as agency, information asymmetry, and market timing – are discussed in the context of subsequent empirical evidence. Recent trends, events and innovations in financial markets are also discussed to appraise the validity of these models in a modern environment. The investment decision is also briefly covered, although the focus is almost exclusively focussed on the financial and dividend decisions.

CLASS AIMS

The class studies the theory of capital structure, management of financial resources, security issuance and corporate payout policy at an advanced level. The class aims to develop a deep understanding of the ideas necessary to analyse the firm's financing decisions with regards to capital structure and liquidity management, security issuance and payout policy. The class examines the role of financial market frictions including asymmetric information, incomplete contracting, irrational market participants and taxation in explaining observed corporate financing policies. Academic research articles will be introduced that have influenced and directed current understanding in theory and policy surrounding corporate financing decisions.

LEARNING OUTCOMES

The following learning outcomes will contribute to your self-analysis and reflection in your Student's Personal Development Planning (SPDP). These learning outcomes will be assessed using the methods explained in the "Assessment" section in this Outline.

Alternative formats of teaching materials are available on request. Please contact Jillian D'Agostino in the departmental office of Accounting and Finance.

A. Subject-specific knowledge and skills

On completing this class students will be able to:

- A1. Analyse the determinants of a company's payout policy with reference to signalling, agency, market timing and value neutral theories.
- A2. Evaluate a company's financing decisions with reference to trade-off theories, information asymmetry, agency theory and managerial entrenchment.
- A3. Identify factors that affect a company's balance of cash and cash equivalents on the balance sheet.
- A4. Evaluate the different channels available to companies for raising funds to finance investment projects, and the role of underwriters in certifying the quality of issuing companies.
- A5. Recognise the limitations of formal models in corporate finance theory, including an awareness of methodological approaches and data collection and analysis
- A6. Have an understanding of recent developments in corporate financial theory and policy literature, and an ability to evaluate the impact of recent innovations and trends in financial markets on corporate financing decisions.

B. Cognitive abilities and non-subject specific skills

During this class students will develop skills in

- B1. The ability to extract arguments, modes of reasoning and evidence from theoretical and empirical academic articles, and to establish their contribution to our understanding and interpretation of key issues.
- B2. A capacity to consider the relevance of academic research to practical scenarios that require individual and institutional decision making.
- B3. The ability to understand and explain complex issues within corporate financial policy in a manner that is suitable to a financially trained and non-financially trained audience.
- B4. The ability to critically appraise advanced journal articles and communicate the essence of such articles.

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ASSESSMENT

Exam: Two hour formal examination in December. This will constitute 60% of your mark for this course.

Group coursework: Each student will contribute in completing a critical literature review essay on the relevant theoretical and empirical literature on corporate financing decision. Students will complete this work on a group basis. This will constitute 40% of your mark for the course. The deadline is **30th October 2023**.

The Department of Accounting and Finance is returning to on campus, in person examinations in all modules. To support you in your exam preparation in this module we will assist you with any enquiries regarding assessment. Throughout each lecture, the module leader will elaborate on how the materials covered could inform your studying for the final exam. The module leader will also explain how to interpret an examination question and how to answer in order to maximise marks. This will be done in conjunction with past exam papers.

There is additional institutional support, please see the links below:

Study skills

<https://www.strath.ac.uk/professionalservices/is/help/skillsboost/>

Disability and wellbeing

<https://www.strath.ac.uk/professionalservices/disabilityandwellbeing/>

<https://www.strath.ac.uk/sees/studentssupportwellbeing/>

Library

Library Lounge: Virtual Study Sessions: <https://bookings.strath.ac.uk/Home/Course/5713>

Campus

The link below provides information about on campus study space, which you might find helpful: <https://www.strath.ac.uk/professionalservices/library/findaplacetostudy/>

PENALTIES FOR LATE SUBMISSION

The Business School follows the University's policy for the late submission of assessed work:

https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Policy_on_Late_Submission_of_Coursework_Final_Oct_2018.pdf

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It is a requirement for course completion to submit all parts of the class assessment. Non-submission of any part will result in an overall mark of zero being awarded for the class.

FEEDBACK

The standard turnaround time for all feedback and marking within SBS is 15 working days from assessment submission.

The University policy on Assessment and Feedback is available here:

http://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/assessment_and_feedback_policy_-_Effective_Sep_14.pdf

TEACHING AND LEARNING

Teaching for this module is delivered through a three hour weekly lecture, beginning in week one of the teaching term. Students should regularly check the Myplace page to ensure they are aware of any updates or changes to the course structure during the semester.

Students with special needs should contact Jillian D'Agostino in the Accounting and Finance departmental office (Level 3, Stenhouse Building). If you need any of the class materials in a different format due to special needs, please do get in touch with Jillian.

PREREQUISITES

AG215 Business Finance, and acceptance into Honours year.

READING

The majority of articles used in this module are published in leading finance journals, including *The Journal of Finance*, *The Journal of Financial Economics* and *Review of Financial Studies*. Links to relevant journal articles will be published on the MyPlace page, and can be accessed through the library catalogue. The following text may also be a useful reference tool throughout the module:

Brealey, Myers & Allen (2016). *Principles of Corporate Finance*. International Student Edition (12th Ed.). McGraw Hill Education.

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UNIVERSAL MARKING GUIDE (ASSESSMENT DESCRIPTOR)

%	Descriptor
80 – 100	<p><u>Outstanding demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • wide, appropriate knowledge and understanding (and where appropriate effective project work) including insight and originality • evidence of reading and thought beyond course/assignment materials • appropriate use of references and exemplars • an outstanding standard of writing and communication and/or presentation
70 – 79	<p><u>Excellent demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • wide, appropriate knowledge and understanding (and where appropriate effective project work) including insight or originality • evidence of reading and thought beyond course/assignment materials • appropriate use of references and exemplars • an excellent standard of writing and communication and/or presentation
60 – 69	<p><u>Comprehensive demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • wide appropriate knowledge and understanding (and where appropriate effective project work) with only occasional lapses in detail • evidence of reading and thought beyond course/assignment materials • a high standard of writing and communication
50 – 59	<p><u>Satisfactory demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • sound knowledge and understanding of essential material (and where appropriate essential project skills) • general accuracy with occasional mistakes and/or uncoordinated use of information
40 – 49	<p><u>Adequate demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • basic knowledge and understanding (and where appropriate basic project skills) • omissions and/or weaknesses of presentation and/or logic and/or evidence
30 – 39	<p><u>Limited demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • some relevant information and limited understanding (and where appropriate some project work completed under supervision) • omissions and/or weaknesses of presentation and/or logic and/or evidence • lack of familiarity with the subject of assessment and/or assessment vehicle
20 – 29	<p><u>Inadequate demonstration of learning outcomes:</u></p> <ul style="list-style-type: none"> • a few key words, phrases or key ideas • extensive omissions and/or weaknesses of presentation and/or logic and/or evidence • serious errors • inadequate evidence of learning or inadequate project work
1 – 19	<p><u>Weak performance in learning outcomes</u></p> <ul style="list-style-type: none"> • serious errors • extensive omissions and/or weaknesses of presentation and/or logic and/or evidence • deficient evidence of learning or deficient evidence of project work
0	No relevant work submitted for assessment

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