



University of  
**Strathclyde**  
Business  
School

Department of Accounting and Finance  
AG430 Corporate Financing  
2024/25 Semester 2  
20 Module Credits

**Module Details**

**Module 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.

**Teaching Hours**

Lectures: All weeks, Thursday 10am-1pm.

**Prerequisites**

AG215 Business Finance, and acceptance into Honours year.

**Contact Details**

Lecturer: Dr James Bowden

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Office Hours: Wednesday 9.30am – 11.30am

## **Module Learning**

### **Module Aims**

The module studies the theory of capital structure, management of financial resources, security issuance and corporate payout policy at an advanced level. The module 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 module 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 Objectives and 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.

#### **Subject-specific knowledge and skills**

On completing this module 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.

#### **Cognitive abilities and non-subject specific skills**

During this module 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.

## **Module Structure**

### **Timetable**

The lecture programme may be subject to minor changes, but the module will broadly cover corporate finance theory across three topics:

- (i) Theories of payout policy
- (ii) Theories of capital structure
- (iii) Theories of security issuance

As an indicative guide, the programme for 2023/24 was as follows:

**Week One:** Introduction and Signalling Theories of Payout Policy

**Week Two:** Agency Theories of Payout Policy

**Week Three:** Historical Payout Trends and Catering Theory

**Week Four:** Agency Theories of Capital Structure

**Week Five:** Asymmetric Information and Capital Structure

**Week Six:** Market Timing Theories of Capital Structure

**Week Seven:** Determinants of Corporate Cash Holdings

**Week Eight:** Initial Public Offerings (IPOs)

**Week Nine:** SEOs and Choice of Debt Source

**Week Ten:** Revision Class

## **Assessment and Feedback Details**

1. Group Assignment worth 40%. Due: Thursday 6<sup>th</sup> of March 2025. Marks/Feedback will be released on or before Thursday 27<sup>th</sup> of March 2025.
2. Final Exam worth 60%. Date: During Semester 2 exam diet.

An overall weighted average mark of 40% is required to pass the module.

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

The following forms of feedback will assist you in this module:



## Artificial Intelligence

You are not permitted to use Gen-AI tools for this module unless you are a student with an adjustment report on Pegasus where this is explicitly specified as a 'reasonable adjustment'. Any student suspected of using such tools will be subject to investigation outlined in the [Student Discipline Procedure - Academic Misconduct.pdf \(strath.ac.uk\)](#) process.

## Reading List

[Corporate Financing \(exlibrisgroup.com\)](#)

## UG Module Manual (Honours)

Please refer to the accounting and finance UG manual module for the following ([Honours Module Manual.docx](#)):

- Tutorial Attendance
- Useful Contacts
- Penalties for Late Submission
- Feedback
- Compensation Scheme
- Resit Policy – no resits in honours year
- Universal Marking Guide
- Useful Links