

**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**AG430 Corporate Financing**  
**2019/20 SEMESTER ONE**

**Lecturer:** Dr James Bowden

**Office:** Room 3.09, Stenhouse Wing, Strathclyde Business School

**Telephone:** 0141 548 3899

**E-mail addresses:** [james.bowden@strath.ac.uk](mailto:james.bowden@strath.ac.uk)

**CLASS DESCRIPTION**

This course studies the theory of internal capital markets, management of firms' resources, security issuance methods and corporate structure at an advanced level.

**CLASS AIMS**

The objective of the course is to examine the channels through which corporations can finance investment projects, as well as develop a deep understanding of the ideas necessary to analyse the firm's financial decisions. The course examines the role of internal capital markets including asymmetric information, incomplete contracting, and financial securities in explaining observed corporate financing policies. The course is based mainly on academic research articles 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.

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

On completing this course you will be able to:

- A.1 Analyse the different channels available to firms for raising funds to finance investment projects.
- A.2 Evaluate recent developments in internal capital markets literature.
- A.3 Evaluate the various explanations put forward for why internal capital markets are said to be inefficient.
- A.4 Analyse a company's financing decisions with reference to trade-off theories, information asymmetry, agency theory, and managerial entrenchment.
- A.5 Analyse the factors that affect a firm's balance of cash and cash equivalents on the balance sheet.
- A.6 Evaluate the factors that cause companies to choose to list their shares in public stock exchanges.
- A.7 Analyse a company's decision regarding the mechanism used to raise equity, and the role of underwriters in certifying the quality of issuing companies.
- A.8 Explain and evaluate the issues to consider when deciding to engage in mergers and acquisitions.
- A.9 Recognise the limitations of formal models in corporate finance theory, including an awareness of methodological approaches and data collection and analysis.
- A.10 Have an understanding of recent developments in corporate financial theory and policy literature.

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

The course aims to develop:

- B.1 The ability to extract arguments, and modes of reasoning and evidence from theoretical and empirical academic articles, and to establish their contribution to our understanding and interpretation of key issues.
- B.2 A capacity to consider the relevance of academic research to practical scenarios that require individual and institutional decision making.
- B.3 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.
- B.4 The ability to critically appraise advanced journal articles and communicate the essence of such articles.

## **ASSESSMENT**

Exam: 2 hour formal examination in December 2019. This will constitute 60% of your mark for this course.

Group Coursework: Each student will complete a case study of a corporate financing decision. Students will complete this work on a group basis. This will constitute 40% of your mark for the course. Further details will be given out during Lecture 3. The submission date for coursework is 12 noon on Monday 29<sup>th</sup> October 2019.

## **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\\_and\\_Procedure\\_for\\_Late\\_Submission\\_of\\_Coursework\\_Final\\_2018.pdf.pagespeed.ce.Kz4LhBtJRh.pdf](https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Policy_and_Procedure_for_Late_Submission_of_Coursework_Final_2018.pdf.pagespeed.ce.Kz4LhBtJRh.pdf)

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

## **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](http://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/assessment_and_feedback_policy_-_Effective_Sep_14.pdf)

## **RESIT POLICY**

There are no re-sit examinations for honours classes.

## **TEACHING AND LEARNING**

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, you should get in touch with Jillian. The class is booked as a three hour lecture each week beginning in week 1 of the teaching term.

## **PRE-REQUISITES**

AG210 Business Finance, and acceptance into honours year.

## **READING**

The majority of journal articles used in this module are published in leading finance journals, including:

THE JOURNAL OF FINANCE  
THE JOURNAL OF FINANCIAL ECONOMICS  
REVIEW OF FINANCIAL STUDIES

The following text is also referenced throughout this module:

*Principles of Corporate Finance*, International Student Edition (ISE), 12<sup>th</sup> edition, Brealey, Myers & Allen, McGraw Hill, 2016.

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

**UNIVERSAL MARKING GUIDE (ASSESSMENT DESCRIPTOR) 2019/2020**

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

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