

SYLLABUS

FI410E

Corporate Finance

ACADEMIC AREA :	FINANCE AND GEOPOLITICS
PROGRAMME :	MASTER IF / PGE / UGTC LEVEL 4 PGE
PERIOD :	SPRING
COORDINATOR :	Mr. Tanveer AHSAN
INSTRUCTOR(S) :	Mr. Alexis De Solliers Helcmanocki Mr. Tanveer AHSAN
CONTACT HOURS :	Ms. Ousayna ZREIK Ms. Rania KOUDRI
STUDY TIME :	24.0 hours
CREDITS :	120 hours (Class preparation, homework and assessments) 4.0 ECTS
AOL :	NO

PRE-REQUISITE MODULES :

A BA-level Fundamentals of Finance module: It is assumed that the students have prior knowledge of financial statements, the link between the financial statements, financial ratios, and fundamentals of corporate finance. Any student who is unsure of her/his prior preparation is strongly advised to prepare before the start of the module by working through Chapters 1-3 of the course textbook (Essentials of Corporate Finance by Stephen A. ROSS, Randolph W. Westerfield, and Bradford D. Jordan; see bibliography). A prior or simultaneous Financial Analysis module would also be an advantage for the students who want to attend this module.

MODULE DESCRIPTION :

The purpose of this module is to extend the student's basic knowledge of finance principles. The students will become more familiar with the main business environment issues that affect the investment and financing decisions of the firm, whatever its stage of growth. After completing the module, the students should be able to understand the transition from the business risk of the operating activities to the risk of the financial structure. They will be able to understand and analyze a company's financing position and to address the main financial management issues in a global and international environment.

CONTRIBUTION TO PROGRAMME LEARNING OBJECTIVES :

- Leverage the economic, ecological, social performance of the firm and its operations to Change Business models #ChangeBusiness

The module is a mandatory module of the PGE program. One of the learning objectives of the PGE is for students to "leverage the economic, ecological, and social performance of the firm and its operations to Change Business models."

This module aligns well with the school's 3C objectives: to prepare managers to perform effectively in a global environment with a responsible pioneer mindset. The topics covered in this module provide a global approach to the students by CONNECTING the issues and challenges of the finance world. It also enables them to act in a CREATIVE manner while making important financial decisions that may foster significant strategic implications for the corporate world. Knowledge of a wide array of topics with the ability to solve complex problems also induces confidence in the students to lead from the front and to bring CHANGE to meet the new challenges of a dynamic corporate finance environment.

MODULE INTENDED LEARNING OUTCOMES (ILOs) :

By the end of the sessions, the students should be able to:

1. Understand the significance of corporate finance in the business world,
2. Perform project appraisal and valuation (the investment decision),

3. Understand a company's choice between debt and equity (the financing decision),
4. Analyze the capital structure choices of a firm,
5. Ascertain trade-offs in payout (dividend etc.) policy and their implications for investors,
6. Discuss the choice of shareholders according to a firm's strategy and constraints,
7. Classify the relevancy of different types of financing according to a company's profile and strategic objectives.

TOPICS COVERED :

- The ways for a firm to finance its activities in the long term.
- Project valuation while considering opportunity costs, cannibalization, and scenario analysis.
- The financial stakeholders inside and outside the firm.
- The capital structure and its effects on risk, return, and the value of the firm.
- The ways to return cash to shareholders and the effects of the dividend policy on the firm's value.

RESEARCH-LED TEACHING :

As two of the ILOs of the module are linked with a company's financing the capital structure choices, therefore, while teaching these concepts we discuss the research papers linked with capital structure theories, determinants of capital structure, and targeted capital structure such as:

Ahsan, Tanveer, Man Wang, and Muhammad Azeem Qureshi. "Firm, industry, and country-level determinants of capital structure: Evidence from Pakistan." *South Asian Journal of Global Business Research* 5.3 (2016): 362-384.

Ahsan, Tanveer, Wang Man, and Muhammad Azeem Qureshi. "Mean reverting financial leverage: theory and evidence from Pakistan." *Applied Economics* 48.5 (2016): 379-388.

Ahsan, T., Wang, M., & Qureshi, M. A. (2016). How do they adjust their capital structure along their life cycle? An empirical study about capital structure over the life cycle of Pakistani firms. *Journal of Asia Business Studies*.

CSR AND SUSTAINABLE DEVELOPMENT GOALS :

In the very first session, we discuss the stakeholders' and shareholders' perspectives while explaining the corporate objective of value maximization. Therefore, while teaching these concepts we discuss the research papers linked with the stakeholders' and shareholders' theories and firm value such as:

Qureshi, M. A., Kirkerud, S., Theresa, K., & Ahsan, T. (2020). The impact of sustainability (environmental, social, and governance) disclosure and board diversity on firm value: The moderating role of industry sensitivity. *Business Strategy and the Environment*, 29(3), 1199-1214.

Ahsan, T., & Qureshi, M. A. (2021). The nexus between policy uncertainty, sustainability disclosure and firm performance. *Applied Economics*, 53(4), 441-453.

Ahsan, T., Al-Gamrh, B., & Mirza, S. S. (2022). Corporate social responsibility and firm-value: the role of sensitive industries and CEOs power in China. *Applied Economics*, 54(16), 1844-1863.

CSR NB HOURS :

3

SUSTAINABLE DEVELOPMENT GOALS COVERED :

- 05 - Gender equality
- 13 - Climate action

TEACHING METHODS :

Teaching is all about the involvement and interest of the students. Therefore, the course is structured in a way that can build the involvement of the students. Practical examples related to the topics are discussed during the sessions and students are encouraged to participate. Well-structured practice exercises during the session(s) related to the theoretical concepts are also provided. Further, the use of Klaxoon based quizzes increases the interest of the students.

METHODS OF ASSESSMENT :

Continuous/Final	Group/Individual	Assessment	Weight	Duration	ILOs assessed
Final	Individual	Final written exam	80%	3 Heures	All

Continuous	Individual	Participation or task completion	20%		All
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Assessment 1 details:

The final examination will cover entire course to test the student's ability to apply simple theoretical techniques to business problems and to explain everyday financial concepts.

Assessment 2 details:

- Readings, assignments, exercises, and discussions during the face-to-face sessions.
- Students' Conduct: Exemplary behavior in the classroom is expected.

ACADEMIC INTEGRITY :

Academic misconduct encompasses various behaviors or actions that violate the principles of academic integrity, fairness, and honesty, thereby undermining the credibility of academic work, assessments, or research. Examples of academic misconduct include:

- Cheating
- Plagiarism
- Fabrication
- Gaining an unfair advantage
- Assisting others in committing academic misconduct, such as by utilizing generative AI
- Falsification of records or official documents
- Unauthorized access to restricted information or data
- Unauthorized or unethical use of generative AIS

Academic misconduct is a serious offense and can result in consequences such as module failure, research project failure, or even expulsion from the school. To prevent unintentional academic misconduct, it is essential to consult with your instructor to understand the specific rules and instructions pertaining to the use of AI in learning and assessment.

For more comprehensive information on academic integrity rules, principles, and disciplinary procedures, please refer to the Academic Integrity section of the Student Handbook.

BIBLIOGRAPHY :

Brealey, R.A., Myers, S.C., Allen, F. (2022). Principles of Corporate Finance. (14th edn). McGraw-Hill. [eBook <https://bit.ly/431CWnW>]

Additional Reading

Ross, S. A., Westerfield, R., and Jordan, B. D. (2014). Fundamentals of corporate finance. (12th Edition)-McGraw-Hill.
 Palepu, K., E. Peek, V. Bernard, and P. Healy. 2017. Business Analysis and Valuation. IFRS Edition. South-Western Cengage
 Generally, any finance textbook in the library with the title 'Corporate Finance' will be fine. In addition, older versions of the main reference have largely the same content as the 2014 version.

MODULE PLAN SESSIONS :

Plan Session 01 :

Introduction to Corporate Finance

Related Chapters: 1, 12.

Lecture Focus: Introduction to Corporate Finance, Agency Theory, Shareholders vs. Stockholders Perspective.

Research Papers:

To understand the concept of corporate governance.

How to deal with policy uncertainty to attain sustainable financial growth: The role of corporate governance.

<https://doi.org/10.1108/CG-04-2020-0121>

To understand the Shareholders vs. Stockholders Perspective.

Corporate social responsibility and firm value: the role of sensitive industries and CEOs' power in China.

<https://doi.org/10.1080/00036846.2021.1983136>

Plan Session 02 :

Project Analysis - Basic

Related Chapters: 6, 10.

Lecture Focus: Project Cash flows, Revenues, Costs, Net Working Capital, Making Decisions with Investment Appraisal Tools.

Exercises to be given for practice

Plan Session 03 :

Project Analysis - Advanced

Related Chapters: 6, 10.

Lecture Focus: Making Decisions with Investment Appraisal Tools, Opportunity Costs, Cannibalization, Sensitivity Analysis, and Scenario Analysis.

Exercises to be given for practice

Plan Session 04 :

Sources of Finance

Related Chapters: 13, 14, 15.

Lecture Focus: Financial Markets, Equities, Debt, Issuing Securities, and Market Efficiency.

Exercises to be given for practice

Research Papers:

To understand the role of information disclosure and market efficiency.

The impact of sustainability (environmental, social, and governance) disclosure and board diversity on firm value: The moderating role of industry sensitivity.

<https://doi.org/10.1002/bse.2427>

The nexus between policy uncertainty, sustainability disclosure, and firm performance.

<https://doi.org/10.1080/00036846.2020.1808178>

Plan Session 05 :

Valuation

Related Chapters: 3, 4.

Lecture Focus: Stock Valuation, and Market Efficiency.

Exercises to be given for practice.

Research Papers:

To understand the role of information disclosure and market efficiency.

The impact of sustainability (environmental, social, and governance) disclosure and board diversity on firm value: The

moderating role of industry sensitivity.
<https://doi.org/10.1002/bse.2427>

The nexus between policy uncertainty, sustainability disclosure, and firm performance.
<https://doi.org/10.1080/00036846.2020.1808178>

Plan Session 06 :

Risk and Return

Related Chapters: 7, 8.
Capital Asset Pricing Model (CAPM), Calculating market risk (Beta).
Exercises to be given for practice.

Research Papers:
Corporates' strategic responses to economic policy uncertainty in China.
<https://doi.org/10.1002/bse.2370>

The relevance of national culture to policy uncertainty and firm performance: European evidence.
<https://doi.org/10.1108/JES-01-2022-0012>

Economic policy uncertainty and sustainable financial growth: Does business strategy matter?
<https://doi.org/10.1016/j.frl.2021.102381>

Plan Session 07 :

Capital Structure [1st Half]

Related Chapters: 17, 18.
Lecture Focus: Modigliani & Miller Proposition I & II, Static Trade-off Theory, Pecking Order
Exercises to be given for practice.

Research Papers:
Firm, industry, and country-level determinants of capital structure: Evidence from Pakistan
<https://doi.org/10.1108/SAJGBR-05-2015-0036>
Mean reverting financial leverage: theory and evidence from Pakistan.
<https://doi.org/10.1080/00036846.2015.1080802>

Payout Policies [2nd Half]

Related Chapters: 16.
Lecture Focus: Dividends, Share Repurchases.
Exercises to be given for practice.

Research Papers:
Why do firms pay dividends? International evidence on the determinants of dividend policy.
<https://doi.org/10.1016/j.jfineco.2007.06.006>

Plan Session 08 :

Cost of Capital

Related Chapters: 9, 17.
Lecture Focus: Cost of Debt, Cost of Equity, Weighted Average Cost of Capital (WACC)
Exercises to be given for practice.

