Unit Outline

Special Topics in Corporate Finance
FINA7540

Semester 1
Crawley Campus

Unit Coordinator
Professor David Yermack

Business School
www.business.uwa.edu.au
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UNIT DESCRIPTION

Introduction

Issues in corporate finance and corporate governance. Topics include choices of organizational form, mergers and acquisitions, spinoffs, highly leveraged transactions, takeover defenses, financial distress, executive compensation, institutional investors, boards of directors, corporate governance reform, and shareholder activism. Many topics will be approached within an agency cost framework, focusing upon conflicts between stockholders, managers, and other constituencies. Many classes will involve case studies of prominent companies that experience major organizational transitions.

CONTACT DETAILS

<table>
<thead>
<tr>
<th>Unit coordinator/lecturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>name: Professor David Yermack</td>
</tr>
<tr>
<td>email: <a href="mailto:dyermack@stern.nyu.edu">dyermack@stern.nyu.edu</a></td>
</tr>
<tr>
<td>class times: Monday and Tuesday from 2:00 – 4:00, beginning February 23 and concluding April 21</td>
</tr>
</tbody>
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TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning strategies

Charter of student rights and responsibilities

This Charter of Student Rights and Responsibilities upholds the fundamental rights of students who undertake their education at the University of Western Australia.

It recognises that excellence in teaching and learning requires students to be active participants in their educational experience. It upholds the ethos that in addition to the University’s role of awarding formal academic qualifications to students, the University must strive to instil in all students independent scholarly learning, critical judgement, academic integrity and ethical sensitivity.

Please refer to the guild website the full charter of student rights, located at http://www.secretariat.uwa.edu.au/home/policies/charter

Teaching and learning evaluation

You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Student’s Unit Reflective Feedback (SURF). The SPOT is optional and is an evaluation of the lecturer and the unit. The SURF is completed online and is a university wide survey and deals only with the unit. You will receive an email from the SURF office inviting you to complete the SURF when it is activated. We encourage you to complete the forms as your feedback is extremely
important and can be used to make changes to the unit or lecturing style when appropriate.

**ASSESSMENT MECHANISM**

**Assessment mechanism summary**

<table>
<thead>
<tr>
<th>Item</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Two case study analyses</td>
<td>40%</td>
</tr>
<tr>
<td>A take-home final exam consisting of several 500-word essay questions</td>
<td>60%</td>
</tr>
</tbody>
</table>

Note 1: Results may be subject to scaling and standardisation under faculty policy and are not necessarily the sum of the component parts.

Note 2: The grade FC indicates failure to complete an identified essential assessment component and means failure of the unit.
Standard of Assessment

The Business School must ensure that the processes of assessment are fair and are designed to maintain the standards of the School and its students. The School follows the University of Western Australia’s grading system:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>HD</td>
<td>(Higher distinction)</td>
<td>80-100%</td>
</tr>
<tr>
<td>D</td>
<td>(Distinction)</td>
<td>70-79%</td>
</tr>
<tr>
<td>CR</td>
<td>(Credit pass)</td>
<td>60-69%</td>
</tr>
<tr>
<td>P</td>
<td>(Pass)</td>
<td>50-59%</td>
</tr>
<tr>
<td>N+</td>
<td>(Fail)</td>
<td>45-49%</td>
</tr>
<tr>
<td>N</td>
<td>(Fail)</td>
<td>0-44%</td>
</tr>
<tr>
<td>FC</td>
<td>(Failed component)</td>
<td></td>
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</table>

The School awards marks leading to these grades by using the following general criteria which are presented here as a clear indication of the School’s expectations. These general criteria may be supplemented by specific standards with regard to a particular assignment.

**HD**  The student has a clear understanding of theory, concepts and issues relating to the subject and is able to adopt a critical perspective. The student is able to clearly identify the most critical aspects of the task and is able to offer a logically consistent and well articulated analysis within the analytic framework presented in the unit. The student is able to draw widely from the academic literature and elsewhere but maintains relevance.

**D**  The student has a clear understanding of theory, concepts and issues relating to the subject. The student is able to develop an analysis of an issue using the analytic framework presented in the unit and is able to identify and evaluate the critical issues. The student is able to draw upon relevant academic and other material.

**CR**  The student demonstrates an understanding of the analytic framework developed in the unit and a partial understanding of concepts and issues. The student is able to identify some key issues and is able to present a logical discussion, but with some conceptual errors or gaps between analysis and conclusions. The student is able to draw upon an adequate range of references and other materials.

**P**  The student generally takes a descriptive rather than analytic approach to the subject. The student is able to demonstrate some understanding of the issues involved but does not demonstrate the ability to apply the analytic framework which had been developed in the unit. Draws primarily upon unit materials for referencing.

**N+**  The student is unable to demonstrate that he or she understands the core elements of the subject matter. The student is able to provide some insight into issues but misapplies analytic framework developed in the unit, omitting key factors and, for example, drawing conclusions which are not related to the preceding discussion.

**N**  The student is unable to demonstrate any understanding of the subject matter. Material presented for assessment is unrelated to unit framework and shows not effort to identify or address critical aspects of the topic.

**FC**  Failure of the unit due to failure to complete an identified essential assessment component.
The scaling of marks to ensure comparability between classes is an acceptable academic practice. The School and Board of Examiners have the right to scale marks where it is considered necessary to maintain consistency and fairness.

**Special Consideration and Deferred Exams**

If something exceptional and beyond your control has interfered with your ability to study in the normal way you should consider completing an application for special consideration. The forms can be obtained at the Business School Student Centre or Postgraduate Reception Desk, or from the Student Administration website [http://www.studentadmin.uwa.edu.au/welcome/forms](http://www.studentadmin.uwa.edu.au/welcome/forms)

In exceptional circumstances you can also apply for a deferred mid-semester exam or a deferred end of semester/trimester exam within three (3) university working days from the date of the exam. Application forms can be obtained at the Business School Student Centre or Postgraduate Reception Desk.

A student may be granted a deferred examination in one or more of their units if the Sub-Dean of the UWA Business School is satisfied that on the basis of medical or other exceptional reasons the candidate was either:

- substantially and unusually hindered in their preparation for an examination; or
- unavoidably absent from or unable to complete an examination.

Further information concerning Special Consideration and Deferred Examinations is available on the Business School website [http://www.business.uwa.edu.au/students/assessments](http://www.business.uwa.edu.au/students/assessments)

**Supplementary Assessment**

Supplementary Assessment is not offered by the Business School, however, students who achieve a grade between 45-49 in the last unit for their undergraduate degree taken in the last semester of study, will be eligible for a supplementary assessment.

**Ethical Scholarship, Academic Literacy and Academic Misconduct**

**Ethical Scholarship** is the pursuit of scholarly enquiry marked by honesty and integrity.

**Academic Literacy** is the capacity to undertake study and research, and to communicate findings and knowledge, in a manner appropriate to the particular disciplinary conventions and scholarly standards expected at university level.

**Academic misconduct** is any activity or practice engaged in by a student that breaches explicit guidelines relating to the production of work for assessment, in a manner that compromises or defeats the purpose of that assessment. **Students must not engage in academic misconduct.** Any such activity undermines an ethos of ethical scholarship. Academic misconduct includes, but is not limited to cheating, or attempting to cheat, through:

- Collusion
- Inappropriate collaboration
- Plagiarism
- Misrepresenting or fabricating data or results or other assessable work
• Inappropriate electronic data sourcing/collection
• Breaching rules specified for the conduct of examinations in a way that may compromise or defeat the purposes of assessment.

Penalties for academic misconduct vary according to seriousness of the case, and may include the requirement to do further work or repeat work; deduction of marks; the award of zero marks for the assessment; failure of one or more units; suspension from a course of study; exclusion from the University, non-conferral of a degree, diploma or other award to which the student would otherwise have been entitled. Refer to the Ethical Scholarship, Academic Literacy and Academic Misconduct located on the University’s website at http://www.teachingandlearning.uwa.edu.au/tl4/for_uwa_staff/policies/student_related_policies/academic_conduct

**Academic Conduct Essentials (ACE)**

From Semester 1, 2008 all newly enrolled students are required to complete a short compulsory online unit called Academic Conduct Essentials (ACE) within the first 10 weeks of semester. ACE introduces students to essential knowledge regarding ethical scholarship, it helps prepare them for the expectations they will need to meet during their university career and it informs them of correct academic conduct.

ACE can be accessed via WebCT (http://webct6.uwa.edu.au). In order to pass the unit, the unit quiz must be completed with a mark of 80% or greater. To gain the required pass mark students may attempt the quiz as many times as they wish. Completion of the unit will be recorded as an Ungraded Pass (UP) on the student's academic record. Non-completion (NC) within the required timeframe will also be documented on formal academic records (ie, in either case the grade will appear on transcripts). More information on ACE is available at http://ace.uwa.edu.au

**Acknowledging sources of information**

In the course of your individual and team work assignments, you will encounter ideas from many sources. These will include journal and newspaper articles, commentaries, books, web sites and other electronic sources, original case sources, lecture materials. All assignments that you submit must acknowledge all the different sources you have used. Not to acknowledge your sources is plagiarism, a form of dishonesty. Plagiarism is the misappropriation of the work or ideas of others and presenting them as your own. This is reprehensible from both an ethical and legal viewpoint. Neither the School nor the University accepts ignorance or the fact that a student’s previous acts of plagiarism had been undetected as a defence.

In order to avoid engaging in plagiarism it is your responsibility to acknowledge all of your sources in any work submitted for assessment and it is essential that you reference the work of others correctly. Where you quote directly from a source, you must ensure that any direct quotations are placed in quotation marks and are fully referenced. Even when you do not quote directly and are just referring to or expanding on the work of others, you must still acknowledge the sources of your information and ideas. Close paraphrasing in which you change a few phrases around, leave a clause out of a long sentence or put the original sentences in a different order is still plagiarism. To mark words as a quotation the entire text that has been copied should be enclosed within the quotation marks. If the copied text is four or more lines in length, it may be more appropriate to set it as a separate and
indented paragraph. Each time that text is copied, the source must be acknowledged with a reference citation, including the page number.

If you have any doubts concerning appropriate referencing formats or how to acknowledge the work of others correctly, you should seek the advice of your lecturer.

The Faculty of Economics and Commerce has the following regulation on Plagiarism: “The Faculty will promote the highest levels of probity and honesty amongst students and will provide instruction on ethical conduct. By submitting assignments and other work for assessment, students acknowledge Faculty's duty to guard against plagiarism, including by electronic means such as Turnitin or Mydropbox. A lecturer may require students submitting written or electronic work to sign a Plagiarism Declaration Form indicating that the work is original.”

**Business IRIS (Introductory Research and Information Skills)**

Business IRIS is an online, self paced unit that provides an introduction to the skills needed to find and use information effectively and efficiently when studying in Business. Topics covered include how to locate and use library resources, the search process and search strategies, how and why to reference work, and evaluating online sources.

Business IRIS is a WebCT unit containing 8 modules, the final one being a self-test module. It is recommended that you work through the modules in the order they are presented and finish with the Test Yourself quiz and survey. Multiple attempts at the quiz are allowed.

**Appeals against academic assessment**

In the first instance, students are strongly advised to talk informally to the lecturer about the grade awarded. The University provides the opportunity for students to lodge an appeal against any mark which he or she feels is unfair. Any student making an appeal is under an obligation to establish a prima facie case by providing particular and substantial reasons for the appeal. It is recommended that students contact the Guild Education Officers to aid them in the appeals process.

There is a 20 day time limit for making any such appeal. An appeal against academic assessment may result, as appropriate, in an increase or decrease in the mark originally awarded. The University regulations relating to appeals and the form on which the appeal should be lodged can be found at [http://www.secretariat.uwa.edu.au/home/policies/appeals](http://www.secretariat.uwa.edu.au/home/policies/appeals)
Student Guild contact details
The University of Western Australia Student Guild
35 Stirling Highway
Crawley WA 6009
Phone: (+61 8) 6488 2295
Facsimile: (+61 8) 6488 1041
E-mail: enquiries@guild.uwa.edu.au
Website: http://www.guild.uwa.edu.au

Lecture Topics and Readings
Approximately one topic per class period, except where noted

Course introduction
Case Discussion: Readings from the news media on acquisition of ITT.

Agency costs; Evolution of modern corporations
Case Discussion: Readings from the news media on Armand Hammer and Occidental Petroleum.

Capital market efficiency and managers' behavior

"Free cash flow" and financial slack
Case Discussion: Readings from the news media on Chrysler Corp. and Kirk Kerkorian.

Mergers and acquisitions: motives and distribution of gains (2 classes)
Additional readings from the news media.
Unit Outline for FINA7540 Special Topics in Corporate Finance

Voting, ownership, and the value of control


Takeover defenses


Additional readings from the news media.

Downsizing and layoffs


Case Discussion: Readings from the news media on "Chainsaw" Albert Dunlap.

Additional readings from the news media.

Diversification and conglomerates


Additional readings from the news media.

Financial distress: Costs, benefits and outcomes


Additional readings from the news media.

Executive compensation


Additional readings from the news media.
Insider trading


Activism by Institutional Investors and Small Shareholders

Readings from the news media.