Unit Outline*

FINA7482
Advanced Corporate Finance

Semester 2, 2011
Crawley Campus

Unit Coordinator: Winthrop Professor Raymond da Silva Rosa

Business School
www.business.uwa.edu.au

* This Unit Outline should be read in conjunction with the Business School Unit Outline Supplement available on the Current Students web site http://www.business.uwa.edu.au/students
UNIT DESCRIPTION

Introduction

I’ve been teaching Advanced Corporate Finance for several years and look forward to it every time. The interaction with students in the class as we discuss corporate finance issues and relate them to news reports and broader economic phenomena is stimulating. I particularly enjoy exploring with students the practical relevance of corporate finance theory.

This year we are fortunate to have Professor David Yermack, a visitor from the Stern School of Business, New York University, teach half the course. His classes will be shoehorned into the month of August to fit the duration of his visit. Professor Yermack has taught FINA7482 before and, as one might expect, his seminars were very well received.

Unit content

FINA 7482 Advanced Corporate Finance focuses on the corporation and its financing, pay-out and restructuring activities (including M&A), as distinct from the investment portfolio approach adopted in Advanced Investments.

The goal of the unit

The aim in Advanced Corporate Finance is to provide a coherent, rigorous framework for analysis of corporate finance issues. This is done by reviewing theory and empirical evidence. The issues we review are not merely of academic interest. The schedule includes presentations by leading WA-based businessmen, Adjunct Professor Tony Howarth, AO (President, Australian Chamber of Commerce & Industry), and Adjunct Professor Mark Barnaba (Co-Founder and Co-Executive Chairman, Azure Capital) that will attest the practical import of the material covered.

There are many topics of interest in corporate finance. This unit focuses on three broad themes: corporate governance (including a comparison of different interpretations of governance around the world), corporate restructuring (with a particular focus on M&A), and the global financial crisis (including an assessment of competing views). The themes have been chosen because of their prominence and because each has attracted a wealth of research. Finance is among those disciplines in business where research has lead market practice. Diligent engagement with material in the unit will see you much better equipped to enter the business world or undertake further study at post-graduate level.

Learning outcomes

On completion of this unit, you should be able to:

- Identify the differences between stockholder and stakeholder models of corporate governance and appreciate the relevance of the distinction for corporate finance issues. The stockholder perspective prevails in the US, UK and Australia whilst the stakeholder view dominates in most of continental Europe and in Japan.
- Describe the key features of the regulations on mergers & acquisitions (M&A), summarise the key findings on M&A outcomes, identify the circumstances when diversification adds value and when it destroys value and explain how “private equity” works.
- Provide a nuanced critique of the strengths and limitations of the rational expectations model that underpins much of neo-classical corporate finance theory.
• Recognise key features of the global financial crisis and explain their relevance for corporate finance issues.

Educational principles and graduate attributes

In this unit, you will be encouraged and facilitated to develop the ability and desire to:

• Apply the theory you have learned to analyse practical issues.
• Articulate your understanding of various finance issues using concise, well developed argument.
• Relate the concepts you are exposed to and insights you develop to broader social issues (for instance, the stakeholder theory of corporate governance is related to specific cultural and social characteristics of the countries in which the theory is accepted and implemented).
• Develop the confidence to defend a line of argument with integrity and poise.
• Appreciate more clearly that there is no such thing as a “free lunch”; every solution to a corporate finance problem has costs and benefits. This “no free lunch” idea extends beyond corporate finance to a wide variety of issues.

TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning strategies

• 100 per cent of the marks that determine your final grade in Advanced Corporate Finance are based on your answers to exam questions. The questions require primarily qualitative answers. Some of the questions will be based on short articles drawn from the press (e.g., Australian Financial Review) and you will be required to comment on the point of view expressed. It is important that you apply the theory and analysis you will have been exposed to in class. Sample questions and sample model answers will be provided.

• To do well in the exams you have to identify the issues, apply the appropriate analysis (and typically there will be at least two sides to an issue), and express your analysis in a logical, clear way with appropriate reference to supporting material.

• I suggest that you take notes during the class and, at the end of every class, summarise the main points: identify the key issues, outline the different perspectives on the issues and draw a conclusion. These notes can then serve as the basis for revision.

Teaching and learning evaluation

You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Students’ 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.

Attendance

Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process. It is therefore important that you attend classes. More formally, the University regulations state that ‘to complete a course or unit students shall attend
prescribed classes, lectures, seminars and tutorials’. Students should not expect to obtain approval to miss more than two classes per unit unless there are exceptional circumstances.

**CONTACT DETAILS**

Students are strongly advised to regularly access their student email accounts. Important information regarding the unit is often communicated by email and will not be automatically forwarded to private email addresses.

<table>
<thead>
<tr>
<th>Unit coordinator/lecturer</th>
<th>Winthrop Professor Raymond da Silva Rosa</th>
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<tbody>
<tr>
<td>Email:</td>
<td><a href="mailto:ray.dasilvarosa@uwa.edu.au">ray.dasilvarosa@uwa.edu.au</a></td>
</tr>
<tr>
<td>Phone:</td>
<td>(08) 6488 2974</td>
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<tr>
<td>Consultation hours:</td>
<td>By appointment</td>
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**Assessment components**

- Mid-Semester test (based on Professor Yermack’s lectures): 50%
- Final exam (based on Professor Da Silva Rosa’s lectures): 50%

**Student Guild**

Phone: (+61 8) 6488 2295  
Facsimile: (+61 8) 6488 1041  
E-mail: enquiries@guild.uwa.edu.au  
Website: [http://www.guild.uwa.edu.au](http://www.guild.uwa.edu.au)

**Charter of Student Rights and Responsibilities**

The Charter of Student Rights and Responsibilities outlines the fundamental rights and responsibilities of students who undertake their education at UWA ([refer to](http://handbooks.uwa.edu.au/undergraduate/poliproc/policies/StudentRights)).

**Appeals against academic assessment**

The University provides the opportunity for students to lodge an appeal against assessment results and/or progress status ([refer to](http://www.secretariat.uwa.edu.au/home/policies/appeals)).
# UNIT SCHEDULE

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<tr>
<th>Time/Date/Venue</th>
<th>Topic</th>
<th>Reading</th>
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<tr>
<td>Thursday 25th August</td>
<td>Mid-Semester test Time &amp; Venue to be advised</td>
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<tr>
<td>2 pm to 5 pm Fri 2nd September BUSN1:01 (Biz School)</td>
<td>Alternative conceptions of corporate governance in successful, mainly non-Anglo-Saxon, economies.</td>
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<tr>
<td>Date</td>
<td>Event</td>
<td>Reading Material</td>
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| Fri 16th September    | BUSN1:01 (Biz School)  | Law and finance: How the nexus is interpreted in Germany and in China  
Bernd Venohr and Klaus Meyer “Uncommon common sense” (2009)  
| Fri 23rd September    | BUSN1:01 (Biz School)  | Introduction to the financial crisis and competing models of behavior used to explain the crisis  
| Fri 30th September    | BUSN1:01 (Biz School)  | The economics of the financial crisis and the role of incentives  
| Fri 7th October       | BUSN1:01 (Biz School)  | Assessing the likelihood of various future outcomes from the crisis  
Further reading to be advised. |