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Course Package

“Modern issues of corporate finance”

Work Package	WP3: Development of Course Materials for the Reformed MA Programmes, Deliverable 3.1
Author(s)	Srbuhi Israyelyan
E-mail Address	srbuhi.israyelyan@gmail.com
Institution	Armenian State University of Economics



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Document History

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1. General information about the course

Explanation: Please fill in the table below.

Title of the course (as specified in the reformed curriculum)	Modern issues of corporate finance
Name of the teacher	Srbuhi Israyelyan
Novelty of the course (please select as appropriate)	This course is an updated and revised version of a course which already existed in the curriculum
Year of the course in the curriculum	1 st year
Semester of the course in the curriculum	2nd
Language of instruction of the course	Armenian
Number of ECTS credits	5

2. Learning outcomes of the course

Explanation: Please specify the learning outcomes of the course.

- Describe important empirical studies of dividend theories and memorize their implications for corporations.
- Give examples of alternative dividend policies adopted by corporations in practice and discuss it.
- Summarize and interpret the general concept of cost of capital.
- Use different techniques and methods to calculate the cost of capital.
- Discuss the pay-out policy and capital structure.
- Calculate and use in practice the WACC, marginal cost of capital and CAPM.
- Differentiate the risk of capital investment from the opportunity cost of capital.
- Analyze the relation between firm value and debt.
- Calculate financial leverage and firm value.
- Identify and comment different dividend policies of companies and dividend payment methods.
- Point out the impact of share repurchases on an investor's portfolio and company.
- Compare methods of valuing business.
- Differentiate the efficient market hypothesis.
- Differentiate types of interest rates and types of annuities.
- Contrast traditional and behavioral finance perspectives on portfolio construction and the behavior of capital markets.
- Debate the basics and principles of CFA Ethical and professional standards II, V, VI. and use it in practice.
- Evaluate the impact of the capital restructuring on the company's value.
- Measure cash flows of a company and develop a reliable capital budgeting system.

- Calculate the FV and PV of a single sum of money, an ordinary annuity, an annuity due, a perpetuity (PV only), and a series of unequal cash flows the effective annual rate, given the stated annual interest rate and the frequency of compounding.
- Calculate NPV and IRR of an investment, calculate a holding period return (total return), identify problems associated with the IRR rule.
- Calculate the money-weighted and time-weighted rates of return of a portfolio and evaluate the performance of portfolios based on these measures.
- Construct the main concepts, research tools and methodologies of behavioral finance.
- Formulate expected utility and prospect theories of investment decision making.

3. Syllabus of the course

Explanation: Please provide a detailed syllabus of the course (broken down in weeks) – maximum 2 pages

14 weeks	Content (Lectures)	Seminars
Week1	Theories of investor preferences <ul style="list-style-type: none"> • Bird-in-the-Hand Theory • Dividend Irrelevance Theory (Modigliani – Miller theory) • Tax Preference Theory 	
Week2	The cost of capital <ul style="list-style-type: none"> • Introduction • Determining the proportions of each source of capital that will be raised • Estimating the marginal cost of debt and equity • Calculating the WACC • Calculating the CAMP 	Seminar 1: Interviews and discussions about the theories of investor preferences and cost of capital (brief, private, 10-minute interview of student).
Week3	Pay-out policy and Capital Structure <ul style="list-style-type: none"> • Pay-out Policy (net income, dividends) • Debt Policy (financial leverage) • Optimal Capital Structure (financial leverage, Modigliani-Miller [MM] model I., MM II., bankruptcy costs) 	
Week4	Using WACC in Practice <ul style="list-style-type: none"> • Some Tricks of the Trade. • Mistakes People Make in Using the Weighted-Average Formula. • Adjusting WACC When Debt Ratios and Business Risks Differ • Unlevering and Relevering Betas. • The Importance of Rebalancing • The Modigliani–Miller Formula, Plus Some Final Advice . 	Seminar 2: Practical exercises about WACC. Calculating WACC for different investment projects.
Week5	Dividends and Dividend Policy perspectives <ul style="list-style-type: none"> • Introduction to dividends 	

	<ul style="list-style-type: none"> • Cash dividends and dividend Payment • Stock dividends and stock splits • Types of dividend policy and dividend models • Dividend policy and Stock Value 	
Week 6	Share repurchase <ul style="list-style-type: none"> • The role of share repurchases • Repurchases and share valuation Task Assignment 1	Seminar 3: Interviews and discussions about dividends and dividend policy, share repurchases
Week 7	Presentation of Assignment 1: Group work	
Week 8	Ethical and professional standards <ul style="list-style-type: none"> • Standard II: Integrity of capital markets • Standard V: Investment analysis, recommendations and actions • Standard VI: Conflicts of interest 	Seminar 4: Interviews (brief, private, 10-minute interview of student about ethical and professional standards)
Week 9	Efficient Markets <ul style="list-style-type: none"> • Differences between investment and financing decisions • Random Walk • Efficient Market Theory • The Evidence Against Market Efficiency 	
Week 10	The behavioural finance perspective (CFA program) <ul style="list-style-type: none"> • Overview and the history of behavioural finance • Traditional finance vs. behavioural finance • Utility theory and prospect theory • Capital markets and portfolio construction • The behavioural biases of individuals 	Seminar 5: Interviews (brief, private, 10-minute interview of student about efficient markets) Behavioral Finance concept checkers (tests with multiple choices)
Week 11	Capital Budgeting, cash flow analysis <ul style="list-style-type: none"> • Principles of capital budgeting • Capital budgeting and project risk • Overview of cash flow statements. • Cash flow analysis. 	
Week 12	The time value of money <ul style="list-style-type: none"> • The present value of a series of cash flows • Solving for rates, number of periods, or size of annuity payments 	Seminar 6: Practice exercises, discussions about cash flow analysis and the time value of money. Interviews (brief, private, 10-minute interview of student about principles of capital budgeting)
Week 13	Discounted Cash flow applications <ul style="list-style-type: none"> • NPV, IRR • Portfolio return measurement (money-weighted rate of return, time-weighted rate of return) Task Assignment 2	
Week 14	Assignment 2 -presentation	Assignment 2- presentation

4. Teaching methodology of the course

Explanation: Please explain the teaching methodology and pedagogical approaches of the course – maximum ½ page

The following pedagogical approaches are used:

- Student-Centered Approach to Learning .
- High Tech Approach to Learning.

The following methods and forms of study are used in the course:

- lectures (2 hours a week).
- seminars (2 hours per two weeks: interviews, practical exercises, discussions, concept checkers, assignments and case presentation).
- group work.
- self study.
- current control and grading include: participation in classwork, interviews, group work results and case presentations.
- intermediate control includes mid-term exam (individual tests- 30 qq with multiple choices).
- final oral exam (exam tickets with theoretical and practical qq).

5. Labour market relevance of the course

Explanation: Please explain the labour market relevance of the course (linked to findings of WP1) – maximum ½ page

Corporate finance is the study of a business's money-related decisions, which are essentially all of a business's decisions. The principles of corporate finance affect every decision maker in a corporation, whether they're making high-level calls on acquisitions or investments, or choosing a vendor to service the soft-drink machine in the break room.

Employment of financial managers is projected to grow 19 percent from 2016 to 2026, much faster than the average for all occupations.

Services provided by financial managers, such as planning, directing, and coordinating investments, are likely to stay in demand as the economy grows. In addition, several specialties within financial management, particularly cash management and risk management, are expected to be in high demand over the next decade.

To determine the current demands and expectations of employers from the MA students and graduates a survey has been implemented within 20 employers from RA market. The employer's list covered the Financial institutions, IT sector, self-governance and state governmental bodies.

The employers have outlined 3 most important general and finance specific skills and competences, that the MA graduates will need in their future career.

Most often options mentioned by the academics as one of the 3 most important ones out of 30 were - Capacity for applying knowledge in practice (18.2%), Ability to work autonomously (10.6%) and Research skills (9.1%)

3 most often options mentioned by the academics as one of the 3 most important ones out of 30 were - Financial analysis and reporting (12.1%), Securities (10.6%) and Accounting standards and techniques (9.1%).

The analysis of data patterns show that the employers are mainly satisfied with the competences, skills and abilities that the Finance MA graduates have from the field of

business, securities, understanding the banking process and services and the business acumen needed to succeed in the workplace. The gaps between the desired level of those skills and competences and the actual estimation of those made by the employers are the least. We should note that the above-mentioned skills have also been mentioned by the employers as one of the 3 most important ones.

The subject of this course covers part of market demand and its also covers part of CFA exam topics, which means that after completing the course the students will have basis for CFA exam preparation and practical skills to be competitive for labour market.

6. Assessment and grading

Explanation: Please explain the form of assessment of the course – maximum ½ page

Assesment		
	Performance	Grade ratio
Class attendance and participation Interviews (brief, private, 10-minute interview of student), homework exercises, concept checkers (tests with multiple choices)	40-100	15%
Group works (slide presentations)	40-100	15%
Case study	40-100	20%
Mid-term exam	40-100	10%
Final oral exam	40-100	40%

Performance and grade			
Percentage	Criteria	Grading numbers	Grade
0-39%		D	insufficient
40-70%	basic criteria met	C- C C+	Sufficient
71-85%	average performance with some errors	B- B B+	Good
86-95%	above average performance with minor errors	A- A	Very good
96-100%	outstanding performance	A+	Outstanding

7. References

Explanation: Please provide the main references and recommended reading for the course – maximum 1 page

- Fundamentals of Corporate Finance 8th Edition by Richard A Brealey, Stewart C Myers, McGraw-Hill Education; 8 edition, 2014,800 pages.
- Principles of corporate finance, Richard A. Brealey, Stewart C. Myers McGraw-Hill/Irwin, 2011, 944 pages.
- The CFA Program curriculum books.
- Case Studies for Corporate Finance: From A (Anheuser) to Z (Zypps) (In 2 Volumes) by Jr Harold Bierman
- Corporate Finance: A Practical Approach (CFA Institute Investment Series) Feb 23, 2012 by Michelle R. Clayman and Martin S. Fridson,
- International Financial Statement Analysis (CFA Institute Investment Series) 3rd Edition by Thomas R. Robinson, Elaine Henry, Wendy L. Pirie , Michael A. Broihahn, Anthony T. Cope (Foreword)
- Behavioral Finance: Understanding the Social, Cognitive, and Economic Debates (Wiley Finance) Kindle Edition by Edwin Burton, Sunit Shah
- Misbehaving: The Making of Behavioral Economics by Richard H. Thaler Nudge: Improving Decisions About Health, Wealth, and Happiness by Richard H. Thaler
- Thinking, Fast and Slow by Daniel Kahneman
- Dividends and Dividend Policy by H. Kent Baker, 2009, 552 pp
- Corporate Finance: A Practical Approach 2nd Edition by Michelle R. Clayman. Martin S. Fridson , George H. Troughton, Matthew Scanlan (Foreword), 2012, 528 pp
- Ethics in Finance 3rd Edition by John R. Boatright , 2014, 269pp
- Dividend Policy: Theory and Practice by George Frankfurter, Bob G. Wood, James Wansley
- Financial Management, FMA's flagship quarterly journal
- Ethical Theory and Business by Tom L. Beauchamp, Norman E. Bowie
- The Blackwell Guide to Business Ethics by Norman E. Bowie
- Ethics and Finance. An Introduction by John Hendry, University of Cambridge
- The Psychology of Investing, 5th edition (international edition) by Nofsinger J. (2014), Pearson
- Behavioral Corporate Finance, 1st edition by Shefrin H. (2007), McGraw-Hill
- Behavioural Finance by Montier, J. (2010), John Wiley, ISBN: 9780470844876.
- Advances in Behavioral Finance, Volume II (The Roundtable Series in Behavioral Economics) Paperback – July 25, 2005 by Richard H. Thaler
- Journal of Financial Planning by Financial Planning Association
- The Journal of Portfolio Management, Editor-in-Chief: Frank J. Fabozzi Dividends and Dividend Policy by H. Kent Baker, 2009, 552 pp
- Corporate Finance: A Practical Approach 2nd Edition by Michelle R. Clayman. Martin S. Fridson , George H. Troughton, Matthew Scanlan (Foreword), 2012, 528 pp

8. Course assignments

Explanation: Please provide two assignments for the course (e.g. group work, project, essay, case study, homework).

8.1 Assignment 1

Group work : “Analysis and Contrast of Dividend Policies of Two Companies”.

All students from continuous assessment will be participated in the study. They must form themselves into groups (each group will consist of 4-6 students). The average length of the case studies was about ten pages. The task consisted of these phases:

1. Before starting the activity, students were asked to work on a group. At this stage the lecturer will explain the nature and characteristics of a group work, which was used as a model.
2. After explaining the different theoretical contents, students were asked to do the task using their knowledge and abilities. The content had to be reflected in a different form (each group will choose how to create their own content).
3. In addition to the group work, students were asked to submit a report specifying the conceptual content reflected in the group work topic and make slides (about 15 slides).
4. The last step was to exchange results among students or the whole class. Students were asked to represent their slides (everyone in the group has to represent a part of results). So students could compare their findings with the analysis proposed by the other authors of the group work.

The purpose of the Assignment 1 is to analyse the dividend policy of two companies over the last five years. Secondly, based on that analysis, the dividend policies of both companies will be compared. Then it will be identified how the dividend policy of both companies can be explained by different models of dividend policy. Moreover, students have to investigate which one of the companies has the best dividend policy and they have to give suggestions how to improve the dividend policy. The group work includes a brief discussion of the skills developed during the project and some recommendations.

Group projects can help students develop a host of skills that are increasingly important in the professional world and get experience of working in group or team and to improve and strengthen theoretical knowledge about dividend policy .

8.2 Assignment 2

Case study: Case study on Unibank’s IPO?

After presenting the case of UNIBANK’s IPO, students will have a task to answer these questions (students will be divided into groups (each group will consist of 4-6 students):

- How Unibank organized IPO of its shares?
- What is the current situation after IPO?
- What is the main idea and goal to make IPO in Armenian Economy, and what are the future benefits of it for UNIBANK?
- What are the lessons to learn from the case of Unibank?

Annex: Presentation slides

Explanation: Please provide presentation slides for your course (this can be done in a separate document, e.g. Power Point (Minimum: 25 slides))

The slides are attached in ppt format.