



Faculty of Arts and Social Sciences
Economics

Syllabus

Course Approval

The syllabus was approved by the Faculty Board of Arts and Social Sciences on 20 August 2014, and is valid from the Spring semester of 2015 at Karlstad University.

Course Code: NEGC48

Corporate finance, 7.5 ECTS Credits

(Företagets finansiering och styrning, 7.5 Swedish credit points)

Degree Level: Bachelor

Progressive Specialisation: G2F (First cycle, has at least 60 credits in first-cycle course/s as entry requirements)

Language of Instruction

Swedish or English

Prerequisites

Economics 60 ECTS cr including NEGC18 Portfolio Analysis 7.5 ECTS cr and the module Econometry 6 ECTS cr (of NEGB01 alt. NEGB22 Econometry 7.5 ECTS cr) and Statistics 15 ECTS cr., or equivalent. Upper Secondary English 6, English B, or equivalent.

Major Field of Study

NAA (Economics)

Learning Outcomes

Upon completion of the course, students should be able to:

- give an account of the effects of capital structure decision on company market value,
- analyse the effects of change in corporate dividend decision and repurchase of shares at market value,
- give an account of the reasons for and consequences of corporate mergers and takeovers and procurement of companies via the stock market,
- give an account of bankruptcy rules and experiences of restructuring of companies in connection with bankruptcy,
- give an account of the connection between a company's ownership structure and its financial structure and market value,
- analyse the problems of the management and governance of public corporations and give an account of the different organisation models for such corporations.

Content and Form of Instruction

The course deals with various aspects of financing and managing companies, primarily in the form of corporations. The theoretical basis in financial theory is that of the perfect capital market and symmetrical information where a corporate decision of financing method and/or dividend decision do not affect its market value. This theory does not explain, however, a number of patterns in which companies choose their financial structure and therefore it needs to be modified. Primarily, it is the consequences of asymmetrical information that make the financial choice interesting and important and the foundational theory is modified to account for

this. Another important explanatory factor of corporate capital structure decisions is the conflict of interest arising between different financiers, primarily loan-givers and shareholders. Shareholders can take precautions that are unfavourable to loan-givers who try to protect themselves through detailed contract clauses.

This discussion of classic issues in the field is followed by a focus on management and ownership issues. With spread ownership, the owners lose direct control of the corporation, which is handed over to an employed management team and above all the CEO. Maximizing corporate profit or market value is not a self-evident goal for the management, which creates a conflict between shareholders and management. Different theories of corporate ownership structure and the relation to its market value are discussed.

A third issue is the reasons for and effects of fusions and takeovers. The problem of ownership and management are also features in such contexts as many takeovers are made by independent managements without consideration of the shareholders' interests. Related phenomena such as "hostile" takeovers or management buy-outs are discussed. The course concludes with a discussion of how companies in general should be organised to motivate employees, especially the management level, to act in the interest of the owners. This discussion is integrated with the earlier analysis of finance and capital structure decisions.

Reading List

See separate document.

Examination

Assessment is based on a written exam and individual hand-in assignments, presented and discussed in mandatory seminars.

Grades

One of the grades Distinction (VG), Pass (G), or Fail (U) is awarded in the examination of the course.

Quality Assurance

Follow-up relating to learning conditions and goal-fulfilment takes place both during and upon completion of the course in order to ensure continuous improvement. Course assessment is based on student views and experiences as reported in written course evaluations and/or group discussions. Students will be informed of the result of the evaluation and of the measures to be taken.

Course Certificate

A course certificate will be provided upon request.

Additional Information

Students who enrolled before 1 July 2007 will complete their studies in accordance with the requirements of the earlier admission. Upon completion students may request degree and course certificates to be issued under the current ordinance if they meet its requirements.

The local regulations for studies at the Bachelor's and Master's levels at Karlstad University stipulate the obligations and rights of students and staff.