

Syllabus

CORPORATE RESTRUCTURING

- **Instructor:** Joy Chan (chanj@ceu.edu). For consultations, approach me either before or after class.
- **Credits:** 2 credits (3 ECTS)
- **Term:** Winter 2018
- **Course level:** MSc Finance elective. This course is delivered with a class cap of 25 students (no exceptions will be made on this).
- **Prerequisites:** **All enrolled students should have shown successful completion of core finance and accounting courses at graduate level.**

Course description

Corporate restructuring entails any fundamental change in a company's business or financial structure, designed to increase the company's value. This course aims to cover both aspects of corporate restructuring: financial restructuring and operational restructuring. Financial restructuring considers various improvements made to a firm's capital structure, in line with their cash-flow needs to promote efficiency, support growth, and maximize the value to shareholders, creditors and other stakeholders. Operational restructuring is the process of increasing the economic viability of the underlying business model through mergers and acquisitions or divestitures.

Learning outcomes

This course will equip students with the knowledge and skills necessary to understand how the various forms of corporate restructuring could impact shareholder value creation.

<i>Core Learning Area</i>	<i>Learning Outcomes</i>
<i>Interpersonal and communication skills.</i>	Participate in class discussions and problem solving exercises. They will be able to present their arguments or findings, persuade fellow students of the usefulness of their own conclusions and objectively critique findings presented by their fellow students
<i>Technology Skills</i>	Demonstrate an ability to use MS Excel tools in problem solving.
<i>Quantitative Reasoning</i>	Apply financial models and formulae to evaluate key parameters in the restructuring analysis
<i>Critical Thinking</i>	Exercise powers of inquiry, logical thinking, and critical analysis of arguments and evidence. Interpret and evaluate theoretical arguments and empirical evidence.
<i>Management knowledge and skills</i>	Provide a comprehensive understanding of the principles and techniques of corporate restructuring analysis. Students are exposed to a number of economic and accounting concepts that practitioners in the field use and apply.

Reading list

Brigham E. and Ehrhardt M., Financial Management – Theory and Practice, 14th edition, 2014, Cengage Learning. (referred to as BE in lecture readings)

Damodaran A., Corporate Finance – Theory & Practice, 2nd edition, 2001, John Wiley & Sons

Other books and various publications:

Gaughan Patrick A., *Mergers, Acquisitions and Corporate Restructurings*, 3rd Edition (2002) John Wiley & Sons, Inc

Gaughan Patrick A., *Merger- what can go wrong and how to prevent it* (2005) John Wiley & Sons, Inc (referred to in readings as Gaughan II)

Weston Fred J., Mitchell Mark L. & Mulherin J. Harold, *Takeovers, Restructuring and Corporate Governance*, 4th Edition (2004) Pearson-Prentice Hall

Assessment

The assessment for the course comprises of 4 sections, with weighting as follows:

5% Peer assessment for Group assignment

15% Class attendance and class participation

40% Two Minute papers

40% Group assignment

The grade obtained for the course is marked against the standards of the CEU and as such, is final and non-negotiable. **No emails/conversations on trying to better your score will be entertained after the exam.**

The group project requires that you work in teams to address the issues faced by real world companies. Project details will be furnished during Lecture 1. You will be required to address the questions in the project and submit a professional hard copy report at the end of the course.

There is a peer evaluation component to this project and it comprises 5% of your final grade. All team members should provide a **peer evaluation**, ranking each member (including oneself), and providing a rationale for the evaluation. Peer evaluation serves as a factor in assessing individual contributions to the success of the project. **The project is graded based 50% on individual effort and 50% on group results.** The peer evaluation is kept confidential and not shared.

Class participation

Surfing the internet is highly discouraged when the class is in session. Laptops should not be used during class sessions. Studies have shown that most people cannot learn effectively when they are distracted. Multi-tasking might work for menial and routine tasks but it is ineffective when you are required to think and contribute.

It is important that students come to class prepared and actively participate in the discussions. **Frequency and quality of students' contribution** (beyond the minimum level of regular attendance) **will be a determinant in whether you pass or fail this course.** Evaluating the frequency and quality of a student's contribution to class relative to other students is at the discretion of the instructor.

Almost all participation noted by the instructor will increase the student's class participation grade, but negative class participation includes disrupting class (e.g. by coming in late), not paying attention during a student presentation, other forms of rudeness toward your fellow students, and a lack of cooperation with methods to ensure that no cheating occurs during minute papers and exams. Grading class participation is necessarily subjective and no subdivision of the grade will be available to students. **Blatant disregard of class regulations (see class participation section) including the frequent use of laptops and mobile phones amounting to more than 30% of class time, will result in zero grade for class participation (no negotiations or further discussions will be accepted once grades are released).**

Course schedule and materials for each session

Lecture 1: Use of Hybrid Financing in restructuring decisions

- Preferred stock, Convertible bonds and Warrants
- Hybrid financing choices and impact on Firm value

BE Chapter 20

Lecture 2: Corporate Restructuring – Optimal Capital Structure

- Optimal capital structure and firm value
- Financing mix and company life cycle

Damodaran Chpt 19

Lecture 3: Corporate Restructuring – Optimal Capital Structure – Practical Applications & Best Practices

- Analyzing the capital structure of companies using different techniques
- Choosing an optimal capital structure

Damodaran Chpt 20

Lecture 4: Operational Restructuring – Mergers & Corporate Control

- Corporate restructuring transactions
- Hostile vs friendly takeovers
- Overview of merger analysis, target valuation and bid price
- Value effects of takeovers and acquisitions
- Divestitures, LBOs, MBOs

BE Chapter 22 & Industry Research Papers

Lecture 5: Operational Restructuring – The Anatomy of a Bankruptcy

- Financial distress and consequences
- Settlements without formal bankruptcy
- Reorganization in bankruptcy
- Liquidation in bankruptcy

BE Chapter 24 & Industry Research Papers

Note: The course outline is subject to changes either before or during class at the discretion of the instructor.

Brief Bio of Instructor

Joy Chan delivers various EMBA Finance core courses and electives (Company Valuation, Project Appraisal, Corporate Restructuring & Personal Finance) at the CEU Business School where she serves as an adjunct faculty member since 2005. Joy is also a visiting Finance professor in many European and American universities and has been invited by corporations and banks to deliver executive education training programs. Joy bridges academic studies with relevant and insightful illustrations gleaned from her industry experiences in senior governmental positions in the Inland Revenue Singapore, International Enterprise Singapore and Ministry of Trade & Industry, Singapore and Regional Controller in KPMG Central & Eastern Europe headquarters. Joy holds a M.Commerce (Finance) (Summa cum Laude), University of Sydney, Australia; B.Business (Honors), Nanyang Technological University, Singapore. Apart from lecturing and training, she also seeks out investment and business opportunities and enjoys managing her portfolio of investments.