

FINANCE 711 C01. Mergers, Restructuring, and Corporate Control

Fall 2022 Course Outline

Master of Finance

DeGroot School of Business

McMaster University

Course Objective

This is an advanced Corporate Finance course, which builds on your previous learning in the areas of Financial Management and Investments. The purpose of this course is to provide you with the tools to analyze, evaluate and design corporate restructuring programs, including mergers, acquisitions, LBOs, MBOs, leveraged recaps, and stock repurchases. The coursework will be completed by means of lectures and assignments (including group assignments).

Instructor and Contact Information

Class: Tuesday 2:30 – 5:30 PM at DSB AB103

Instructor: Sudipto Sarkar

E-mail: sarkars@mcmaster.ca

Office Hours: Thursday 4 – 5:30 PM

Location: Virtual

Teaching Assistant: Shubi Xie

E-mail: xies38@mcmaster.ca

Office Hours: Wednesday 2 – 4 PM

Location: Virtual

Course Elements

Credit Value: 3

A2L: Yes

Participation: Yes

Evidence-based: Yes

Leadership: No

Ethics: No

Innovation: Yes

Experiential: No

IT Skills: No

Numeracy: Yes

Group Work: Yes

Final Exam: Yes

Global View: Yes

Written Skills: Yes

Oral Skills: Yes

Guest Speaker(s): No

Course Description

This course examines the various forms of corporate restructuring, and how restructuring affects corporate values and control issues. Restructuring is broadly defined, and includes restructuring of liabilities (e.g., leveraged recapitalizations, LBOs), restructuring of assets (e.g., acquisitions, divestitures), or both (e.g., mergers accompanied by changes in capital structure). Important components of the course include valuation of a corporation and its securities (debt and equity), theoretical rationales for and empirical evidence on restructuring of assets and liabilities, and specific topics such as LBOs and stock repurchases. The course should be of interest to students planning careers in corporate finance and investment banking.

This being an advanced corporate finance course, it requires familiarity with number crunching and a solid understanding of the concepts of introductory finance, particularly capital budgeting and capital structure. The material

includes a substantial amount of theory, and numerical examples are very important in illustrating the concepts to be covered in this course. The format will be predominantly lecture-oriented, supplemented by a set of cases; you can work on the case(s) in groups of 4 (maximum) members.

Learning Outcomes

Upon successful completion of this course, students will be able to complete the following key tasks:

- Analyze the effect of any type of corporate restructuring on firm value
- Analyze the effect of corporate restructuring on the components of firm value – equity and debt
- Analyze how restructuring affects corporate control
- Design a financing package for a restructuring proposal

Course Materials and Readings

Required:

1. Courseware

- available on *Avenue to Learn*.

2. Cases

- purchase a digital copy from the publisher’s website, links below:

For Colt Industries:

<https://www.iveypublishing.ca/s/product/colt-industries/01t5c00000CwXGsAAN>

For The Empire Group Limited – The Oshawa Group Limited Proposal:

<https://www.iveypublishing.ca/s/product/empire-company-limited-the-oshawa-group-limited-proposal/01t5c00000CwZYWAA3>

Optional:

Takeovers, Restructuring, and Corporate Governance (4th Edition) by J. Fred Weston, Mark L. Mitchell and J. Harold Mulherin, Pearson Educational International; ISBN 0131407376.

- purchase a copy at the bookstore (please note the publisher has stopped printing this book, but used copies might be available)

Course Overview and Assessment

Grade Component	Weight	Description
Test 1	20%	Multiple choice or short answers, numerical
Test 2	20%	Multiple choice or short answers, numerical
Test 3	20%	Multiple choice or short answers, numerical
Group Case Report	10%	Written case report and presentation
Final Exam	30%	Cumulative. Short answers and calculations

All dates are given in the course outline (except the final exam, the date for which has not been finalized yet).

All work will be evaluated on an individual basis, except for the case analysis (report and presentation). For the case study, the students will work in groups (maximum group size 4). Each group will submit a report and present their recommendations on the allotted case. The case report will be 4-5 pages in length (plus exhibits) and should contain recommendations and supporting arguments. There are questions in the courseware to guide you when writing the report. Any doubts/questions/uncertainties regarding the case will ideally be addressed by the group members themselves. Where necessary, make reasonable assumptions based on information given in the case. Please do not use information that would not have been available to the decision maker(s).

Grade Conversion

Missed tests/exams will receive a grade of zero unless the student has submitted and been approved for a Notification of Absence or MSAF. Late assignments will not be accepted. Your final grade will be calculated as follows:

At the end of the course your overall percentage grade will *generally* be converted to your letter grade in accordance with the following conversion scheme.

Grade	Points	Equivalent Percentages
A+	12	90-100
A	11	85-89
A-	10	80-84
B+	9	75-79
B	8	70-74
B-	7	60-69
F	0	00-59

Communication and Feedback

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants.

Requesting Relief for Missed Academic Work

In the event of an absence for medical or other reasons, students should review and follow the Missed Term Work regulations that our outlined on the Master of Finance website:

<https://mfin.degroot.mcmaster.ca/current-students/missed-term-work/>

Academic Integrity

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials

you earn are rooted in principles of honesty and academic integrity. **It is your responsibility to understand what constitutes academic dishonesty.**

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](#), located at

<https://secretariat.mcmaster.ca/university-policies-procedures-guidelines/>

The following illustrates only three forms of academic dishonesty:

- plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
- improper collaboration in group work.
- copying or using unauthorized aids in tests and examinations.

Authenticity/Plagiarism Detection

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software.

All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). For more details about McMaster’s use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

Courses with an Online Element

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course.

The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

Online Proctoring

Some courses may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

Conduct Expectations

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

Academic Accommodation of Students with Disabilities

Students with disabilities who require academic accommodation must contact [Student Accessibility Services](#) (SAS) at 905-525-9140 ext. 28652 or sas@mcmaster.ca to make arrangements with a Program Coordinator. For further information, consult McMaster University’s [Academic Accommodation of Students with Disabilities](#) policy.

Academic Accommodation for Religious, Indigenous or Spiritual Observances (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to their Faculty Office **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation or to the Registrar’s Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

Copyright and Recording

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

Extreme Circumstances

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

Research Using Human Subjects

All researchers conducting research that involves human participants, their records or their biological material are required to receive approval from one of McMaster's Research Ethics Boards before (a) they can recruit participants and (b) collect or access their data. Failure to comply with relevant policies is a research misconduct matter. Contact these boards for further information about your requirements and the application process.

McMaster Research Ethics Board (General board): <https://reo.mcmaster.ca/>

Hamilton Integrated Research Ethics Board (Medical board): <http://www.hireb.ca/>

Acknowledgement of Course Policies

Your enrolment in FIN 711 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

Course Schedule

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Week	Date	Assignment
1	Tue Sept 13	Chapter 1: Capital Budgeting Recap
2	Tue Sept 20	Chapter 2: Capital Structure Recap
3	Tue Sept 27	Chapter 3: Agency Problems
4	Tue Oct 4	Test 1. Chapter 4: Asymmetric Information
5	Tue Oct 11	Chapter 5: Valuation for M&A
6	Tue Oct 18	Chapter 6: Basics of M&A
7	Tue Oct 25	Chapter 6: Basics of M&A (continued)

8	Tue Nov 1	Test 2. Chapter 7: LBOs
9	Tue Nov 8	Chapter 8: Divestitures
10	Tue Nov 15	Chapter 9: Financial Restructuring
11	Tue Nov 22	Chapter 9: Financial Restructuring (continued)
12	Tue Nov 29	Test 3. Chapter 10: Stock Repurchase
13	Tue Dec 6	Submit and present case report (1) <i>Colt Industries</i> or (2) <i>Empire Group – Oshawa</i>
