

# 712 Financial Management for Decision Making

## Introduction

712 FINANCIAL MANAGEMENT FOR DECISION MAKING is designed as an advanced corporate finance course. Students are introduced to some of the challenging issues facing managers in today's global financial landscape. Students learn to analyse alternative valuation techniques and apply capital budgeting techniques. The subject examines the sale of securities to the public and alternative mechanisms for raising capital, including derivative options and mergers and acquisitions. Students are familiarised with analytical frameworks and presented with real-life case studies to apply the financial tools.

### Case studies

Real-life case studies are incorporated into the subject to provide opportunities for students to apply theory into practice in an authentic context. Examples of cases include

Kester, W.C. and K. Backstrand  
*Tiffany & Co. – 1993*  
 Case #9-295-047  
 Harvard Business School Publishing  
 9 June 1995

Desai, M.A., M.F. Veblen and F. Williamson  
*Provident Life and Accident Insurance: The Acquisition of Paul Revere*  
 Case #9-202-044  
 Harvard Business School Publishing  
 7 November 2001

Kester, W.C. and K. Backstrand  
*Netscape's Initial Public Offering*  
 Case #9-296-088  
 Harvard Business Publishing School  
 16 May 1997

### Who should attend

- Executives wishing to enhance their understanding of corporate finance issues
- Financial analysts seeking to refresh their knowledge and be updated on the latest legal and regulatory frameworks in accounting and taxation
- Decision makers involved in operating, investment and financial decisions

### Learning objectives

Upon completion of this subject, students should be able to

- understand and implement advanced valuation techniques
- employ alternative mechanisms for raising capital at different points in the firm's growth cycle
- identify the benefits and limitations of a merger or acquisition
- understand the process that leads to an initial public offering and appreciate the risks and benefits
- understand the basics of options valuation
- appreciate the recent advances in corporate finance and their relevance for capital budgeting and raising capital

### Delivery method

The subject is delivered online over a 12-week period, with an assigned Professor acting as mentor. The class will comprise students from different countries and industry backgrounds. Practical case studies and discussions help to stimulate learning and knowledge exchange, while an examination at the end of the subject will help students review and apply the knowledge and skills learnt.

### Prerequisites

612 Finance

### Assessment

Case analyses (team and individual)	45%
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Discussion board activities	30%
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Final examination	25%
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# Syllabus

## Segment 1: Introduction

Students are introduced to the syllabus, the resources and communication tools available within the course.

## Segment 2: Derivatives

The segment focuses on option markets and option valuation, introducing the basics of forwards, futures and swaps. Derivatives are essentially a risk management tool, which are increasingly employed for speculative purposes. Students are encouraged to appreciate the controversy surrounding the use of derivatives and to develop a comprehensive understanding of this field.

## Segment 3: Advanced Valuation

Students are introduced to the various valuation methodologies, including DCF analysis, comparison of multiples and real options techniques. Students are encouraged to look beyond accounting forecasts and balance sheet information to take into account the true market value of the business. The application of appropriate valuation techniques can help finance managers appreciate the actual worth of a business and provide a deeper understanding about the capital budgeting decision.

## Segment 4: Mergers and Acquisitions

The segment focuses on mergers and acquisitions and the valuation behind such activities. The costs and benefits of these financial activities are discussed. Increased foreign competition and the deregulation of industries have pushed the pace of mergers and acquisitions in recent years, leading to the controversial development of 'junk' bonds used to finance such activities. The segment looks at the legal and regulatory environment, encouraging students to look at the broader financial implications.

## Segment 5: Raising Capital

The segment analyses the avenues for raising capital and achieving the desired capital mix. The mechanisms for issuing debt and equity and the importance of venture capital in the early growth stages of the firm are discussed. The international dimension of capital markets is highlighted. In discussing the different ways of raising capital, special attention is given to the initial public offering. The segment also examines alternatives to equity and debt financing, including bank debt.

## Required textbook

Damodaran, A. *Corporate Finance: Theory and Practice* (2nd ed). John Wiley, 2001.

# Global Faculty

## Subject Author

Professor Kris Jacobs  
McGill University

**U21Global subjects are created by acknowledged experts in their field, usually senior academics who have strong understanding of postgraduate requirements. The subject content is further reviewed by academic specialists who appraise the subject from an independent perspective, ensuring a high-quality, professional product.**

712 FINANCIAL MANAGEMENT FOR DECISION MAKING was created for U21Global by **Kris Jacobs**, Associate Professor of Finance at McGill University's Faculty of Management. His research interests include asset pricing, option valuation, financial econometrics, the pricing of fixed-income securities, credit risk, risk management and the relationship between asset returns and the real economy. Dr Jacobs teaches Investments and Portfolio Management at the BCom and MBA levels, and Empirical Methods in Finance at the PhD level. He has a PhD from the University of Pittsburgh.

## Subject Reviewer

Professor Tim Brailsford  
University of Queensland

The subject was reviewed by **Tim Brailsford**, Professor of Finance and Foundation Head of the UQ Business School at the University of Queensland. A former Dean of the Faculty of Economics and Commerce at the Australian National University, his area of expertise is in investments and valuation, corporate finance and financial management. Dr Brailsford is the Managing Editor of the *Accounting Research Journal*. He holds a PhD and Masters degree from Monash University, and is a Fellow of the Australasian Institute of Banking and Finance, the Australian Institute of Management and CPA Australia.

## Professors

**Students' progress will be guided by dedicated Professor Facilitators based around the world. They provide an international perspective and impart knowledge through a wealth of experience in their field of specialisation. Our Professor Facilitators will help students make sense of the information to enable students to transform the information into knowledge and creative solutions.**



Kent MILLINGTON

Kent Millington is currently a business consultant and President of IPDevPro, a company specialising in evaluation and commercialisation of intellectual property. Dr Millington is also an adjunct professor of Entrepreneurship and Finance at the University of Science and Technology of China, Hefei. As an entrepreneur in residence at Utah Valley State College's Business Department in 2004-2007, he conducted courses in entrepreneurship, mentored students and helped develop a business incubator. He has published extensively in academic journals and co-authored three books on finance and entrepreneurship. Dr Millington earned a DBA from California Coast University and completed his PhD at the University of Texas at Arlington.



Ramin Cooper MAYSAMI

Ramin Cooper Maysami is Associate Professor at the School of Business Administration, University of North Carolina at Pembroke, US. He has more than 15 years of teaching experience in financial economics, managerial economics, money and banking, investment, business and corporate finance, financial statement analysis and personal finance. Dr Maysami has received recognition for his teaching, with awards from the University of Illinois at Springfield (Distinguished University Service Awards, 1993; The Dennis Foss Creative Excellence in Teaching Award, 1992) and Iowa State University (Teaching Excellence Award, 1989). He received his PhD in Economics and MSc from Iowa State University, US.



Rajan THILLAI

Rajan Thillai is an assistant professor for finance and strategy, at the Indian Institute of Technology Madras' Department of Management Studies. Prior to that, he was the unit operations manager and head of strategic planning & marketing for the insurance, healthcare & life sciences business unit at Infosys Technologies Ltd. As a visiting faculty member, he lectures at several institutions, such as the Indian Institute of Management Bangalore, SP Jain Centre of Management, Dubai and Great Lakes Institute of Management, Chennai, India. Dr Thillai received his doctorate in management from the Indian Institute of Management Bangalore. He earned his Masters in Engineering and Biological Sciences from the Birla Institute of Technology & Science, Pilani.