

**Commerce 4FH3 C01  
Mergers, Restructuring, and Corporate Control  
Winter 2020 Course Outline**

**Finance Area  
DeGroote 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.

**INSTRUCTOR AND CONTACT INFORMATION**

<p><b>Thu 7 – 10 PM</b> <b>Sudipto Sarkar</b> Instructor <a href="mailto:sarkars@mcmaster.ca">sarkars@mcmaster.ca</a> Office: DSB 302 Office Hrs: Wed 10 AM – 12 PM Tel: (905) 525-9140 ext. 23959 <b>Class Location: DSB AB 103</b></p>	<p><b>Sima Tafti</b> Teaching Assistant  Email: TBA Office: TBA Office Hours: TBA Tel: (905) 525-9140 ext. TBA</p>
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**COURSE ELEMENTS**

Credit Value: 3	Leadership: Yes	IT skills: No	Global view: Yes
Avenue: Yes	Ethics: Yes	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: Yes	Group work: Yes	Oral skills: Yes
Evidence-based: Yes	Experiential: Yes	Final Exam: No	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 leveraged recapitalizations, LBOs and stock repurchases. The course should be of interest to students planning careers in corporate finance and investment banking.

This is an advanced corporate finance course. It requires familiarity with number crunching and a solid understanding of the theories and 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. Class participation is strongly encouraged.

## **LEARNING OUTCOMES**

Upon 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; and
- design a financing package for a restructuring proposal.

## **REQUIRED COURSE MATERIALS**

Custom Courseware

- purchase a copy at : Print Factory Ink, 9 Sterling Street, Hamilton, ON L8S 4H6.

## **OPTIONAL COURSE MATERIALS**

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

- purchase a copy at the bookstore

## EVALUATION

All work will be evaluated on an individual basis except for the case reports where group work is expected. For the case reports, all group members will receive the same grade. Your final grade will be calculated as follows:

### *Components and Weights*

Test 1	25%
Test 2	30%
Test 3	35%
Case report and presentation	10%
Total	100%

### NOTE:

1. Only the use of a McMaster standard calculator (Casio FX-991) is allowed during examinations in this course.
2. For the tests, you will be allowed to bring one page (single side) of notes.
3. For the case study, the students will work in groups (maximum group size to be announced, and will depend on class size). 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).

## 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. Instructors are required to provide evaluation feedback for at least 10% of the final grade to students prior to Week #9 in the term. Instructors may solicit feedback via an informal course

## **ACADEMIC DISHONESTY**

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. 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. It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at [www.mcmaster.ca/academicintegrity](http://www.mcmaster.ca/academicintegrity).

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations.

## **REQUESTING RELIEF FOR MISSED ACADEMIC WORK**

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroot website at the link below;

<http://ug.degroot.mcmaster.ca/forms-and-resources/misled-course-work-policy/>

## **STUDENT ACCESSIBILITY SERVICES**

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail [sas@mcmaster.ca](mailto:sas@mcmaster.ca).

For further information, consult McMaster University’s Policy for Academic Accommodation of Students with Disabilities.

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

## **POTENTIAL MODIFICATIONS TO THE COURSE**

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

## **ACKNOWLEDGEMENT OF COURSE POLICIES**

Your enrolment in Commerce 4FH3 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.

<b>COURSE SCHEDULE</b>
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Winter 2020 Schedule**

<b>WEEK</b>	<b>DATE</b>	<b>STUDY / EVENT</b>
1	Thu Jan 9	Introduction; Ch. 1, Capital Budgeting
2	Thu Jan 16	Ch. 2, Capital Structure
3	Thu Jan 23	Ch. 3, Agency Problems, and Ch. 4, Signalling
4	Thu Jan 30	<b>Test 1.</b>
5	Thu Feb 6	Ch. 5, Valuation for M&A; Ch. 6, M&A
6	Thu Feb 13	Ch. 6, M&A (continued)
7	Thu Feb 20	<i>Mid-term Recess</i>
8	Thu Feb 27	Ch. 7, LBOs
9	Thu Mar 5	<b>Test 2.</b>
10	Thu Mar 12	Ch. 8 and 9, Corporate Divestitures and Financial Restructuring
11	Thu Mar 19	Ch. 10, Stock Repurchase
12	Thu Mar 26	Course recap and summary; <b>Test 3</b>
13	Thu Apr 2	<b>Case presentations</b>